

FINANCIAL TIMES

Sexist scientists

Rampant bias in peer reviews

Technology, Page 21

US-EU trade

Turbulence ahead over Boeing-McDonnell deal

Page 13

Robert Reich

Confessions of a power parking lot lobbyist

Book review, Page 12

Middle East

Is the peace process salvageable?

Page 4

World Business Newspaper <http://www.ft.com>

THURSDAY MAY 22 1997

Best business books

Winners of the FT/Borg Allen & Hamilton Global Business Book Awards

Details, Page 14

Veba group buys 36% Degussa stake for DM2.9bn

Düsseldorf-based power and industrial group Veba bolstered its chemicals activities by paying DM2.9bn (\$1.7bn) for a 36.4 per cent stake in Degussa, the Frankfurt-based international chemicals concern. Veba chairman Ulrich Hartmann said the deal paved the way for wide-ranging co-operation between the businesses. The Veba conglomerate, which supplies about a fifth of Germany's electricity, is planning a New York Stock Exchange debut in October. Page 14; Lex, Page 14

Call for tougher patents: The European chemical industry called for stronger and simpler European patent legislation, with early adoption of a European Union directive on the patenting of biotechnology inventions. Page 5; Editorial Comment, Page 13

Lawyers granted freer movement in EU: Lawyers in the European Union who want to set up a permanent practice elsewhere in the union will no longer have to prove they fully understand the legal rules of the host country, EU ministers decided. Page 2

UK to scrap landmines: Britain is to scrap its stockpile of landmines by 2005 in an initiative to encourage a worldwide ban. Page 10

Celltech drops treatment: The UK's biotechnology industry sustained a heavy blow when Celltech, one of the sector's leading companies, said its treatment for septica shock was being dropped after poor trial results. Page 15; Editorial Comment, Page 13; Lex, Page 14

Boeing to raise production: US aircraft maker Boeing plans to increase production by 40 per cent to 43 aircraft a month by the second quarter of next year to cope with demand. Page 5; Storm over the Atlantic, Page 13

Troops mass on Kurdish border: Iran, Iraq and Syria are massing troops along the border of the Kurdish enclave in northern Iraq where a week-long Turkish offensive against Kurdish separatists is continuing. Page 4

US exports hit record: Aircraft sales helped push US exports to a record \$76.5bn in March, shrinking the trade deficit in goods and services to \$3.5bn, the US commerce department said. Page 8

JCI expects to merge with Lonrho: Mtd Khumalo, chairman of JCI, South Africa's first black-controlled mining house, said he expected the company to merge with UK-listed conglomerate Lonrho to form a \$2bn (\$3.2bn) group with interests in gold, coal and platinum. Page 15

Toyota 50% ahead: Toyota, Japan's largest carmaker, lifted annual net profits 50 per cent to ¥365.9bn (\$3.05bn), helped by the weaker yen, cost cuts and a range of new recreational vehicles. Page 15; Collective effort takes Toyota just so far, Page 19

Fidelity plans to offer life insurance: Fidelity Investments, the largest US fund manager, plans to sell life insurance direct to US consumers. Page 15

Burma detains opposition supporters: Burma's military government arrested at least 60 members of the opposition National League for Democracy, apparently to prevent them attending a party congress. Page 6

Left blamed for Indonesia violence: Indonesian authorities blamed an illegal left-wing group for political violence that has marred the country's election campaign. Polling takes place next week. Page 6

HK investors rush for 'red chips': Hong Kong banks were invaded by investors anxious to buy shares in Beijing Enterprises, investment arm of Beijing municipal government, whose shares are to be offered on the Hong Kong stock exchange. Page 6

FT.com: The FT web site provides online news, comment and analysis at <http://www.ft.com>.

STOCK MARKET INDICES

New York S&P 500	7,240.41	(+3.09)
Dow Jones Ind Av	1,371.26	(+7.30)
NASDAQ Composite	1,371.26	(+7.30)
Europe and Far East		
FTSE 100	3,706.35	(+35.24)
DAX	3,098.09	(+32.89)
FTSE 100	3,706.35	(+35.24)
Nikkei	19,941.98	(+40.53)

US LUNCHTIME RATES

Federal Funds	5.25%
2-mth Treasury Bill	5.13%
Long Bond	6.94%
Yield	6.94%

OTHER RATES

UK 3-mo Interbank	5.25%
UK 10 yr Govt	6.00%
France 10 yr Govt	5.50%
Germany 10 yr Bond	5.50%
Japan 10 yr JGB	5.50%

NORTH SEA OIL (Argus)

Brent Dated	\$19.75	(20.00)
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STERLING

DM	2.7945	(2.7850)
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Treasury calls for US banking reforms

Legislators given approval to review cross-ownership law

By Gerard Baker in Washington and John Authers in New York

Mr Robert Rubin, the US Treasury secretary, has called on US legislators to remove the legal divisions between banks and other financial services companies.

But he has described as too risky for regulators and for the economy as a whole. "It's terrific from our point of view," said one official, commenting on Mr Rubin's remarks. "This will now very probably kill off the banking-commerce plan."

Mr Rubin's speech was broadly welcomed by the New York banking community. Ms Rachel Robbins, general counsel for J.P. Morgan, which is technically a commercial bank although its operations lean strongly towards investment banking, said she was "delighted to see the Treasury take a leadership role in financial modernisation".

Under the Treasury's proposals, integrated financial companies would be allowed to offer a full range of services, and would have the choice of operating either as a subsidiary of a bank, or as an affiliate of a bank holding company. This would have important regulatory implications, since bank holding companies are, by law, all regulated by the Federal Reserve, while bank subsidiaries would come under the supervisory regime of one of a number of regulators.

In the last few years, efforts to reform the Glass Steagall laws have foundered. Bank of England governor thought of quitting, Page 10



Victor Chernomyrdin in the State Duma urging the need for spending cuts

Chernomyrdin tries to avert budget cuts revolt

By John Thornhill in Moscow

Mr Victor Chernomyrdin, Russia's embattled prime minister, yesterday urged parliament not to play "political poker" with the economy as he tried to head off a revolt against cuts in planned budget spending.

Mr Chernomyrdin said the government had to live within its means and must cut Rb108,000bn (\$19bn) from its spending plans this year.

The government had raised only 64 per cent of forecast budget revenues, because of a severe shortfall in tax receipts, and spent 70 per cent of planned expenditures. Both targets had been set at "unrealistic" levels, the prime minister said.

The communist-dominated parliament, incensed by the government's failure to pay wages and pensions on time, will vote tomorrow on whether to accept the planned cuts.

It may also consider a motion of no confidence in the government which, if passed,

would require Mr Boris Yeltsin, Russia's president, to choose between sacking Mr Chernomyrdin or dissolving parliament. The liberal Yabloko faction claimed it had already collected enough signatures to force such a no-confidence vote.

But Mr Yeltsin appeared unconcerned by the parliamentary dispute and during the debate he even recalled several ministers to the Kremlin to attend celebrations in honour of the famed cellist.

Mr Gennady Zyuganov, the Communist party leader, fiercely criticised the government's economic policies, urging a change of course. "The government is made up of people personally responsible for policies hostile to the population: impoverishment and rip-off privatisation. We must suggest the president

reviews the cabinet," he said. But Mr Zyuganov appeared to retreat from threats to vote down the government. Political observers suggest the Communist party fears fresh elections, because it believes it would be unable to match the sweeping gains it made in December 1995's ballot.

During the debate, Communist MPs called on the government to print money to cover its spending plans and provide "oxygen for the economy". But this proposal was forcefully rejected by Mr Chernomyrdin who said it would only lead to a return of hyperinflation.

"This will not be oxygen. This will be something you inhale only once and then shudder for the last time in your life," he said.

The prime minister promised the government would take additional steps to raise an extra Rb30,000bn of revenues through squeezing corporate tax dodgers, privatising state assets, introducing a water

Brazil plans to retire \$1bn of Brady bonds

By Edward Luce in London

Brazil yesterday said it was planning to retire at least \$1bn of bonds which were originally issued in exchange for commercial loans on which it had defaulted in the 1980s.

The bonds - known as Bradys, after former US Treasury secretary Nicholas Brady - were issued in 1994 to help a number of Latin American countries ease their excessive debt burdens, and are collateralised by 30-year US Treasury bonds.

The decision is a further signal of a strong improvement in Brazil's financial position. The return of investor confidence allowed it to raise funds in the international capital markets last November for the first time since the Latin American debt crisis emerged in 1982.

The proposed retirement of Brady bonds, expected to accelerate the decline of the \$150bn market in these instruments, follows similar Brady swap deals by Mexico and the Philippines last year.

However, investors say Brazil's offer is more significant. With over \$50bn in outstanding Bradys, Brazil is by far the largest Brady country. The market, which is still the largest pool of emerging market debt, comprises 18 sovereign debtors including Argentina and Poland.

"Brazil is easily the largest Brady country so this is a significant signal of things to come," said a trader in New York yesterday. "This accelerates the transition from old-fashioned collateralised debt to conventional emerging market bond issues."

As part of the package, Brazil is offering to swap the Bradys with bondholders in exchange for conventional 30-year dollar bonds, which it hopes to launch in early June. Up to one quarter of the Brady bonds offered for exchange could be redeemed in cash.

Brady bond prices rallied at the news with Brazilian Bradys rising from 64.88 per

Illegal bond trade case worsens Japanese image

By Gillian Tett in Tokyo

The image of Japan's financial industry took another battering yesterday after an affiliate of Nikko Securities admitted it had been accused of illegal bond trading.

Nikko Securities Investment Trust and Management said the finance ministry had found that some bond trades conducted in 1994 were illegal.

The ministry is expected to announce a penalty against the company later this week, in what is believed to be the first such action taken against an investment trust group.

Nikko Securities, which owns a small stake in Nikko Securities Investment Trust and Management, was not connected to the illegal deal, the company said.

Meanwhile, the investigation into Dai-ichi Kangyo Bank, one of Japan's largest banking institutions, gathered pace with further raids on the company by prosecutors. Tokyo prosecutors have confirmed that the raids are linked with its investigation into Nomura Securities, which has been accused of paying corporate extortionists through an account held by a property company.



Hiroshi Mitsuoka, warns of possible action against bank



Katsuhiko Kondo, subject of Japanese newspaper reports

Corporate extortionists, known as *sokaiya*, demand money from companies in exchange for not revealing sensitive information.

The latest raids came amid rising expectations that senior DKB executives would soon be forced to resign as a result of the investigation, following a similar spate of resignations at Nomura last month in which 16 directors left the board.

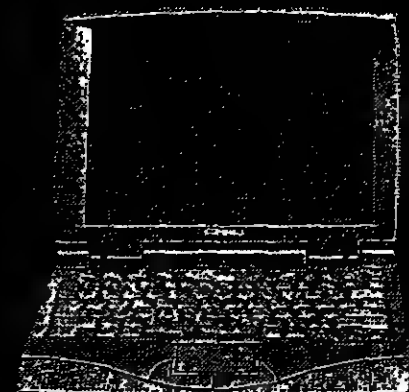
A leading Japanese newspaper reported that Mr Tadashi Okuda, DKB's chairman, and Mr Katsuhiko Kondo, its president, would step down tomorrow to take responsibility for the scandal.

Meanwhile, Mr Hiroshi Mitsuoka, Japan's finance minister, said the government was ready to take strict action against DKB if the bank's role in the scandal was determined.

DKB yesterday insisted that no decision had been made about resignations. Although it "regretted" the raids, it refused to comment on media reports that DKB made large unsecured loans to the property company implicated in the Nomura scandal.

The reports yesterday pushed DKB shares down for the third consecutive day to close ¥70 lower at ¥1,330.

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TV time bomb blows up in Spain

By David White in Madrid

A Christmas Eve telephone call from a government spokesman to a media mogul has sparked a sharp escalation in Spanish political hostilities, five months after the event.

For the centre-right government, the rumour has aggravated tension with the Socialist opposition and added to strains in relations with Catalan nationalists, whose support it needs to remain in power.

It is one man's word against another's. Mr Antonio Asensio, chairman of the Antena 3 television channel and Grupo Z publishing empire, says the spokesman threatened him with jail because he had abandoned a government-inspired digital TV project and switched allegiance to a rival group.

The spokesman, Mr Miguel Angel Rodriguez, state secretary for communication, denies having threatened anyone and describes the affair as Socialist "guerrilla warfare". Ministers and party barons have supported him.

The Socialists are seeking a special parliamentary committee to investigate "abusive conduct" towards the media. The row is expected to spice up a meeting tonight between Mr José María Aznar, the prime minister, and Mr Felipe González, the Socialist leader, initially called to talk about foreign affairs.

What Mr Asensio took with him when he swapped sides was a package of exclusive rights for televising club football matches. He now shares these in a joint venture with Mr Jesús de Polanco's media group Prisa - a partner with France's Canal Plus in Spanish pay-TV - and Catalonia's regional network, TV3.

Mr Polanco crossed swords with the authorities by pressing ahead with a digital TV venture. New regulations mean its decoding equipment does not conform with official standards and its football matches will have to be shared with other broadcasters.

Ministers say the measures are in response to EU guidelines and the public interest. Mr Polanco's group says it is being victimised by a government which sees it as an accomplice of the Socialists.

The Catalan Convergència i Unió party (CIU) is anxious to defend TV3's interests to the contest, and disturbed about the row with Mr Asensio, whose publishing group includes the biggest-selling Barcelona newspaper, El Periódico de Catalunya.

CIU has marked a certain distance from the government, fearing its current alliance in Madrid may sap its own chances of retaining power in Catalonia.

The Catalans are already at loggerheads with the government over demands for an additional Ptas50bn (\$350m) in annual health funding for the region, an issue they want settled before the 1998 budget goes to parliament this autumn.

Mr Jordi Pujol, Catalonia's president, said on Monday he would guarantee support until the fate of Spain's bid to join the European single currency became clear next year. He left open what would happen after that.

A break with CIU would force a general election. But the firmly pro-European Catalan leadership does not want to be seen undermining stability in the run-up to monetary union.

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Victory for shareholders' rights in dispute with NLMK

Russian court backs investors

By John Thornhill in Moscow

A group of Russian and foreign investors yesterday claimed an important victory for shareholder rights when a regional arbitration court ruled in their favour in a dispute with the management of Novolipetsk Metalurgical Kombinat (NLMK), one of the country's biggest steel plants.

The investor group, which speaks for 40 per cent of NLMK's shares, will now be able to nominate a slate of four candidate directors to serve on the company's nine-member board. Their nominations will be considered at the company's annual general meeting, which must be held by June 30.

Mr Jim Danson, managing director of the Moscow office of Salomon Brothers, which has been acting as financial adviser to one of the biggest shareholders, said the investors' faith in the Russian legal system had been borne out.

"The shareholders were very impressed with the professionalism and integrity of the judge in the Lipetsk court. The hearings were full, fair and detailed and we are extremely pleased with the result," he said.

Many investors have expressed concerns about Russia's undeveloped corpo-

rate governance regime and been sceptical about whether they could ever defend their interests in the regional courts, which are often subject to political pressures.

But the investor group triumphed in three separate legal actions it brought in Lipetsk, where the steel company is based, although NLMK could still appeal.

Two of the cases were

brought by Cambridge Capital Management, an international hedge fund which owns 17 per cent of NLMK's shares, and the Sputnik Fund, with 9 per cent, which numbers the well-known financier Mr George Soros among its investors.

The third suit was pursued by a subsidiary of Oneximbank, the powerful Russian bank, which owns about 14

per cent of NLMK's shares.

When these shareholders submitted their board nominations to NLMK in February, a company official refused to accept their documents and ran away. For the second year running, NLMK directors rejected the shareholders' candidates, saying their nominations had been delivered too late.

But the Lipetsk court

accepted that postal and courier service receipts and witness statements proved the nominations had been handed in on time and overturned the company's decision.

The shareholder group is pressing for external auditors to be appointed to the company so that it can obtain reliable financial information.



President Boris Yeltsin honours Mstislav Rostropovich with a state award yesterday, the cellist's 70th birthday

Freer movement for lawyers in EU

By Emma Tucker in Brussels

Lawyers who want to set up a permanent practice elsewhere in the European Union will no longer have to pass a special exam to prove they fully understand the legal rules of the host country, following a decision by EU ministers yesterday.

The so-called aptitude test will be replaced by a three-year transition period during which lawyers hoping to integrate into another legal system will have to prove "effective and regular" pursuit of legal activities - notably by demonstrating they have handled a certain number of cases.

The EU proposal, yet to be agreed by the European parliament, will also allow lawyers who want to practise abroad under their home-country professional title, to do so indefinitely.

The measures will affect only a few people, but were vigorously opposed by Luxembourg, which threatened to challenge the decision in the European Court of Justice. As a European banking centre, it is home to many

foreign EU lawyers and dislikes the provision allowing lawyers to practise for an unlimited period without obtaining the professional title of the host country.

The ministers reacted positively to the Commission's "action plan" for the single market, which aims to complete the grandiose project ahead of the introduction of a single currency in 1999.

The plan focuses on obvious shortcomings, such as the failure of member states to agree on harmonised VAT rates and the need to apply existing rules more effectively. It also calls for publication of a "scoreboard" to shame single market rule-breakers into line.

Ministers also considered the findings of a report aimed at unblocking stalled proposals for a European Company Statute. Germany, one of two countries behind the 20-year deadline, said it had "nothing negative" to say about the report, which suggests a formula for reconciling divergent views on the issue of worker participation. But the UK was still sceptical.

Bonn proposes reform of regional subsidies

By Peter Norman in Bonn

The German government yesterday proposed a new system of support for eastern Germany and Berlin that would direct future subsidies towards manufacturing and related service businesses and give special treatment to small and medium-sized companies.

After 1998, the present system of channelling investment through special tax-deductible depreciation allowances will be replaced by one of investment grants. Mr Günter Rexrodt, the economics minister, announced.

The government proposes grants worth 10 per cent of manufacturing industry's investment to plant and machinery and 20 per cent for small and medium-sized companies for six years to the end of 2004. They will also apply to service sector investments in areas related to manufacturing and to investment by leasing companies.

Mr Rexrodt said the new scheme, approved by the cabinet yesterday, would

cost about DM5.7bn (\$3.3bn) in 1999 compared with allowances of around DM11bn annually under the present system. But he said the impact on investment would be the same.

There will be less generous support for non-manufacturing craft businesses, small inner city shops and investments in commercial properties being built by companies for their own use. Support for housing investment will be concentrated on renovation of old housing stock.

The plans reflect budgetary constraints and the realisation that the present system of tax allowances has led to wasteful investment, often in commercial property. Most eastern German towns can boast a surplus of office space and are well endowed with out-of-town shopping malls.

On the other hand, manufacturing industry accounts for only 15 per cent of gross domestic product in the new Länder (states), compared with 26 per cent in western Germany.

In another move to curb government outlays, the cabinet yesterday approved a proposal from the finance ministry to amend budgetary rules at all levels of government. Budgets will be subject to more rigorous auditing and cost-benefit analysis. Under more flexible spending rules, departments will be able to carry over undischursed funds to the following financial year, reducing the temptation for officials to indulge in wasteful spending in the final days of December.

A drive to attract foreign investors to eastern Germany with government grants and flexible working conditions was launched yesterday in London by the Industrial Investment Council, a new German state-owned agency, writes Peter Marsch.

Mr Hans Christoph von Rohr, chairman of the agency, said his aim was to ensure the former East Germany gained "a decent share" of international industrial investment over the next few years.

Chirac's election intervention under fire

By Andrew Jack in Paris and David Owen in Epinal

France's opposition parties yesterday criticised President Jacques Chirac's public intervention in favour of the ruling centre-right majority and argued that the country's bargaining position in Europe would not be weakened by a victory of the left in the general elections.

In the wake of Mr Chirac's warning on Tuesday that France needed to speak with a "single voice" on European affairs, Mr Lionel Jospin,

the Socialist leader, said a "cohabitation" of left and right would in no way weaken the country's bargaining position.

As leading politicians on the right stepped up their attack on the potential risks of a cohabitation, Mr Robert Rine, leader of the Communist party, characterised the president's comments as "blackmail".

In an interview in Les Echos newspaper, Mr Jospin stressed the importance of a political counterbalance to the European central bank when the single currency is

established, and argued the Socialists' programme was realistic and should reassure the financial markets in the medium term.

Meanwhile, Mr Philippe Séguin, the Gaullist Euro-sceptic who is seen as a possible successor to Mr Juppé in the event of a narrow centre-right victory, sharpened his calls for more attention to be focused on jobs by those preparing for European economic and monetary union.

In a series of public meetings near his base in Epinal in eastern France, Mr Séguin, the president of the out-

going National Assembly again acknowledged the requirement to proceed with monetary union, while pouring scorn on the Maastricht treaty's convergence criteria. The treaty "must be and will be" subject to interpretation, he argued.

He also urged statutes of the future European central bank to be changed to include a commitment to providing good conditions for job creation. The dollar-Euro exchange rate must, he said, be fixed in Europe's commercial interests.

Editorial comment, Page 13

Communists fear for their influence

Politics in the south of France is a powerful potion, reports David Buchan

Hard-left versus far-right politics in the south of France, especially in the Bouches du Rhône, has always been, like the Pernod the Marseillais drink, a powerful potion. But for the hard-left Communists it is getting more difficult to avoid mixing drinks as they find themselves dragged towards the centre by the Socialists.

"I was staggered to hear Michel Rocard [former Socialist premier] in a radio debate agreeing with the right that France needed *moins d'état*, a smaller public sector," said Mr Jean Tardito, Communist deputy and mayor of Aubagne, an industrial island east of Marseilles in the countryside made famous by Marcel Pagnol.

Over red wine and rata-touille in plastic cups and trays, Mr Tardito, a veteran Communist with a lived-in face, was holding a lunch-time election meeting with two dozen of his municipal employees. They had anxious questions about Com-

munist views being swamped by a Socialist majority in any future left-wing government.

"Whatever happens, aren't the public services going to be destroyed?" asked one. "Public services are one of the great characteristics of France," replied Mr Tardito. "Okay, they've got to be modernised, but this privatisation has got to stop."

Mr Rocard had caused more Communist eyeballs to roll by recalling that, stemming from his premiership in the early 1990s, France was under a "quasi-obligation" to Brussels to privatise Air France, as the price for state aid to the airline.

So far, Communists have resisted the onslaught of the right and far-right in the south better than the Socialists. In 1993 when the right took 28 seats in the Provence-Alpes-Côte d'Azur region, the Communists held on to three and the Socialists only two. Since the great 1960s era of Gaston Deferre in Marseilles, the Socialists

have rather lost their way. It is the clash between Communists and the far-right National Front that now dominates several seats.

Their voters live cheek by jowl. This is not surprising, says Mr Guy Hermier, incumbent Communist deputy in the Marseilles docks area that his party has held since 1936. "Our support is often a protest vote, but behind the NF is also this *ras-le-bol* [fed-up] factor," he admits.

To compete, the Communists cannot afford to dilute their message, says the nattily dressed Mr Hermier as he strolls around his down-at-heel constituency. Spokesman for the Communist party's Reformist (Reformateur) caucus, he says reform should come in his party being "more open to new groups on the left" such as socialist, green or union splinter groups that have mushroomed in recent years. In fact, Mr Hermier has an

easier political target this time, because the NF is fielding, at the behest of its leader, Mr Jean-Marie Le Pen, a certain Mr Jean-Jacques Susini, a 65-year-old former member of the Organisation Armée Secrète (OAS) who was pardoned after being convicted of involvement in trying to assassinate General de Gaulle. "It is ironic that a party that preaches the need for security should parachute in someone who so symbolises violence," notes Mr Hermier.

Far more redoubtable a NF challenger is Mr Bruno Mégret, number two in the Front, who failed by only 546 votes in 1993 to carry the constituency of towns that run along the east of the Etang de Berre sea inlet. Since then his wife Catherine has become mayor of Vitrolles and the number two on the Mégret ticket is now mayor of Marignane, together the two NF-held towns make up 48 per cent of the constituency population. Yet Mr Mégret may still

not win. According to a couple of polls, Mr Henri D'Attilio, Socialist incumbent, will just scrape through in the June 1 run-off. Significantly, Mr D'Attilio has played down his Socialist label, and is campaigning on his local record and his knowledge of the *provençal* dialect, and against the highly educated Mr Mégret as the "outside polytechnician".

Certainly, Mr Mégret now has local roots and advantages. On a tour of Vitrolles market this week, he was convincingly able to assure a couple of people that "Madame le maire" would look into their problems. But Mr Mégret, grave in mien and sombre in suit, stirs little of the fervour that the ever-loud Mr Le Pen excites among his supporters. As he left Vitrolles for Marignane market this week, and climbed into the sort of limousine with smoked-glass windows that other French politicians never use, there was almost something of the night about him.

EUROPEAN NEWS DIGEST

Albanian poll deadlock ends

Albanian political parties backed down yesterday in the face of intense international pressure and signalled an end to the deadlock that has threatened to undermine next month's general election. Mr Fatos Nano, leader of the main opposition Socialist party, said his party would take part as long as the poll was monitored adequately by the international community.

Opposition parties had threatened a boycott in protest at the electoral law pushed through parliament last week by President Sali Berisha's Democratic party. They claimed it would prevent free and fair elections. However, the president has now agreed that the caretaker government led by the Socialist Mr Bashkim Fino will appoint the members of the central election commission, which in turn appoints local election officials.

Elections are seen as the vital first step in restoring order to Albania. *Kevin Done, London*

EU dialling made easy

Phone users in the European Union should be able to call toll-free numbers or helplines anywhere in the EU by 1999 using a uniform prefix, 388, the European Commission said yesterday. The following year they should be able to use their chosen service provider - in the competitive telecoms market to be introduced next year - without having to dial a special access code. It should even be possible for them to take their existing phone number with them if they change service providers.

Announcing the results of a consultation exercise, the Commission said, however, that EU states and telecoms groups had asked for more time to examine proposals to adopt "3" as the common EU international dialling code. *Niel Buckley, Brussels*

Brussels names top official

The European Commission yesterday appointed Mr Carlo Trojan of the Netherlands as its secretary general in succession to Britain's David Williamson, who is retiring. The post, at the head of the Brussels administration, is an extremely powerful one.

Mr Trojan is only the third person to have held the job over the 40-year history of the Commission. The first, Mr Emile Noel of France, occupied the position from 1958 until his retirement in 1997. *Brussels, Reuters*

Pharmaceuticals aid blocked

The European Commission yesterday stopped an Austrian state aid payment worth Ecu22m (\$25m) to Hoffmann-La Roche for the construction and operation of a new plant at Linz, which would be used to produce a key ingredient of Orlistat, the new anti-obesity drug.

The Austrian government argued that the aid would be used for research and development but the Commission was unconvinced, arguing that the drug development work for which it was intended was a core part of the company's business.

The Commission did, however, approve aid worth Ecu1.1m for two environmental measures which will reduce the release of gases and waste from the company's factories into the environment. *Emma Tucker, Brussels*

Bonn rejects telecoms move

The Bonn cabinet yesterday rejected a proposal from the federal post ministry's regulatory council that Mr Arne Bärnsen, an opposition Social Democrat MP, should be president of Germany's future telecommunications industry watchdog. The government's spokesman said it had no intention of appointing a politician who "pursued goals which did not conform 100 per cent with the intentions of the telecommunications law".

The industry regulator will preside over what is intended to be a powerful and independent institution charged with ensuring fair competition and nationwide provision of telecommunications services after the market is liberalised next year. *Peter Norman, Bonn*

Spanish tax receipts on rise

High tax revenues in the first four months of the year suggest that the Spanish economy is on track to bring its consolidated budget deficit down to the 3 per cent of gross domestic product required to qualify for monetary union. Following sharp falls in the inflation and interest rates, the government's main task is to lower the deficit from a December 1996 level of 4.4 per cent of GDP.

Income from corporation tax, a key indicator of economic growth, shot up by 137 per cent year-on-year in April and receipts from VAT over the first four months of the year were up by 8 per cent, according to figures released yesterday by the budget office. Mr José Folgado, secretary of state for the budget, said he was wholly confident the government would meet its 1997 revenue targets. *Tom Burns, Madrid*

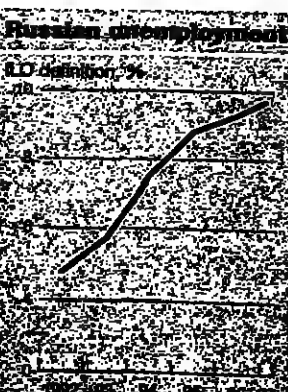
EBRD's losses shoot up

The European Bank for Reconstruction and Development suffered a net loss of Ecu7.9m (\$9m) to the first quarter compared with Ecu700,000 a year ago. The bank said it had been forced to increase provisions for potential loan losses by more than 70 per cent to Ecu13.8m from Ecu18.8m a year ago because of deteriorating credit ratings in some countries, particularly Albania and Bulgaria.

Mr Bart le Blanc, vice-president for finance, said it was the bank's policy "to deal immediately with any increase" in credit risk in the region. *Kevin Done*

ECONOMIC WATCH

Ups and downs of work



Two seemingly contradictory sets of Russian unemployment statistics were published yesterday highlighting the complexities of the country's labour market, which remains one of the mysteries of the transition process. Goskomstat, the state statistics committee, announced that the unemployment rate (using the International Labour Organisation's methodology) had risen to 9.7 per cent of the active workforce by the end of April compared with 9 per cent a year ago. But Goskomstat also revealed that the number of registered unemployed had fallen over the same period from 2.77m to 2.53m, or 3.5 per cent of the workforce. The ILO-based numbers are believed to be a more accurate reflection of the true unemployment, because they are based on survey data and take into account some hidden unemployment. The low level of unemployment benefit and the difficulties of registering appear to deter many people from signing on as unemployed. But some economists argue that even the ILO-based numbers understate the scale of the problem. Millions of workers are believed to be kept on their companies' books even though in practice enterprises to reduce tax bills. *John Thornhill, Moscow*



Erbakan: under threat

Ciller: secular party leader

Prosecutor seeks to dissolve pro-Islamic Welfare party

Legal threat to Turkish ruling party

By Kelly Couturier in Ankara

Turkey's top prosecutor yesterday began legal proceedings aimed at dissolving the pro-Islamic Welfare party - the country's largest party - led by Mr Necmettin Erbakan, the prime minister.

On the grounds that it is undermining the country's secular foundations.

The suit, filed with the Constitutional Court by Mr Vural Savas, is the latest blow to the prime minister, whose 11-month coalition government narrowly survived a parliamentary challenge a day earlier.

Mr Savas, in a statement that reflects the growing tension between the Islamist wing of government and the secular establishment, told a news conference: "It has become clear that [the Welfare party] has become a focal point of activity that is contrary to the principle of secularism found in the constitution, and has dragged our country into an atmosphere of civil war."

The suit cites Articles 68 and 69 of the constitution, which state: "The programmes and activities of political parties cannot be against the democratic and secular nature of the state."

Mr Erbakan, who for months has been locked in a growing dispute with the country's military-led secular establishment, rejected the charges, telling reporters: "It is a simple accusa-

tion that has nothing to do with the truth."

Since becoming prime minister last June, Mr Erbakan has infuriated the military and secular bureaucracy with his moves toward Syria and Iran and his Islamic-oriented domestic agenda.

In February, the military-dominated National Security Council issued a series of directives to his government aimed at curbing Islamic radicalism.

Mr Erbakan's hesitation to implement these measures has exacerbated the tension between the Islamists and the state's secular forces - including the military, the judiciary and the political opposition - which have intensified their efforts against the Welfare party.

Many secular leaders say they fear the party is using democracy to bring an Islamic regime to Turkey. They point to statements by Welfare officials, including a speech by Mr Erbakan in 1995, which is cited in the court suit: "Welfare will bring its just system to Turkey. We will see whether this process will be peaceful or bloody."

Welfare, with a membership of more than 4m, narrowly won general elections in December 1995, surprising many in the secular establishment.

It later formed a government coalition with the secular True Path party led by Mrs Tansu Ciller.

State pensions will be Prodi's biggest test

By Robert Graham in Rome

Mr Romano Prodi's one-year-old government has begun to face its biggest test as the opening shots are fired in the battle to accelerate the reform of Italy's generous state pensions system.

The main problem is to forge a consensus among the government's supporters both in parliament and among the trade unions on serious cuts in pension benefits. Failure to do this could lead to the downfall of Mr Prodi as prime minister and ensure Italy's exclusion from the first wave of countries joining the European single

currency. At present, state pension outlays exceed contributions by over 4 per cent of gross domestic product.

The government faces an uphill task. It has been obliged to delay until next week the publication of its three year macro-economic programme because of unresolved differences over pensions and welfare cuts. The programme will be obliged to show at least in outline how much the government hopes to save under these headings as part of its strategy to demonstrate to Brussels it can hold the budget deficit below 3 per cent of GDP.

The unions are extremely hostile to further changes in pensions after the timid reforms they agreed in 1995. At the same time, the hardliners in Reconstructed Com-

munist Party (RC), whose support is vital for the government's majority in parliament, are firmly opposing any reduction in overall welfare spending.

The pressure is to claw back through taxes something from those enjoying 'baby pensions'

the Democratic Party of the Left, which is the dominant partner in the government.

The party leader criticised Italy's current practice of permitting people to retire

on a full pension well before the normal age.

"The way in which retirement pensions work is unsustainable: when a country cannot cope with unemployment, it cannot allow people to draw pensions at the age of 50 or 52," Mr D'Alema said.

Nowhere else in Europe do so many people benefit from pensions before the normal pensionable age.

At present, men in the private sector get pensions at the age of 63 and women at 58, while in the public sector the age is 65 for men and 60 for women. But it has been possible, especially in the

public sector, for women to retire after no more than 15 years' work and men after 20. As a result 145,000 public sector employees are getting pensions under the age of 50.

The 1995 pension reform introduced a far too gradual phasing out of these privileges. But now the pressure is to introduce a quick end to these rights and to claw back through taxes something from those already enjoying 'baby pensions'. The government would like to find some L7,000bn (\$4.1bn) in pensions and welfare cuts in the 1998 budget. This may well prove too ambitious.

New Sofia government committed to reforms

By Theodor Troev in Sofia

The Bulgarian parliament yesterday approved a new pro-western coalition government which is committed to introducing an IMF-backed currency board monetary system by the end of July and pressing on with a four-year programme of economic, social and financial reforms.

The government, led by Mr Ivan Kostov of the Union of Democratic Forces,

replaces the interim government of Mr Stefan Sofianski, the mayor of Sofia. Mr Sofianski, who took power when the former Communist-led Socialist party government resigned in February, is credited with restoring economic confidence and left office more popular than when he took power.

The incoming government enjoys broad parliamentary support and inherits a stronger currency backed by

healthier foreign exchange reserves. The reserves have risen from just over \$400m earlier this year to \$1.25bn, thanks to international loans and accelerated privatisation deals signed by the interim government. The lev has strengthened to 1,600 to the dollar from a low of 3,000 when confidence collapsed earlier this year.

In a new development for Bulgarian democracy, the Socialist party, which won 22 per cent of votes in the

April elections, promised to operate as a constructive opposition and began with detailed criticism of the new government's programme.

Mr Kostov said the new government's priorities would be faster privatisation, financial stabilisation, reform of the tax and government administration and a war on crime and corrup-

tion. It would also aim for membership of Nato and the European Union, he added. Mr Alexander Bozhkov, a

former privatisation minister who helped negotiate IMF and other loans, is one of five interim government ministers to retain a senior post in the government as deputy prime minister and industry minister.

In an effort to strengthen the banking system, whose virtual collapse last September revealed the damage caused by seven years of half-hearted reforms and corrupt privatisation, Mr Kostov said foreign financial

institutions would be offered management contracts in the state banks to prepare them for privatisation by the end of 1998.

The new government's programme is supported by the Euro-Left party, founded this year by a group of Socialist party defectors, by the Alliance for National Salvation, another recent formation of monarchists, ethnic Turks and environmentalists, and by the pro-market Bulgarian Business Bloc.

Polish banking sales advance on two fronts

By Christopher Bobinski in Warsaw

The privatisation of Poland's banking system takes two big steps forward this week as part of the country's international undertaking to free its financial markets.

Bank Handlowy (BH), one of the largest banks, is putting the finishing touches to agreements with a number of foreign investors bidding for minority stakes.

At the same time the treasury is sifting through final offers for the Warsaw-based Powszechny Bank Kredytowy, the latest of the state-owned commercial banks to be put on sale.

The two banks' assets were worth 24bn zlotys (\$8bn) at the end of last year, about 12 per cent of the sector's total assets. The BH sale will be one of the largest in Poland.

Both moves will provide an important signal to foreign investors as Poland's banks prepare to face the challenges posed by the opening up of the country's financial markets under an agreement reached last year with the Organisation for Economic Co-operation and Development, the Paris-based club of industrial countries. They will also advance Poland's position when it begins membership talks with the European Union next year.

This summer's sales also presage the start of an even larger privatisation in the first half of next year when up to 15 per cent of the Pekao group, with assets worth 42bn zlotys at the end of last year, is to be sold through a public offer. Further tranches of the bank's

equity are to follow.

But as the country's undercapitalised banks seek to merge to face the competition from abroad, the issue at stake is whether foreign banks will be brought in with new money, technical know-how and managerial skills or whether control will remain vested with present managements, many of whose roots go back to the Communist elite.

Local bankers are arguing against further sales of local banks to foreign owners, pointing out that 30 per cent of the capital in the system is already foreign-owned, while 25 out of 81 existing banks are controlled by foreign institutions. The latter include Citibank, which plans to develop retail banking to supplement a fast growing corporate banking operation. ING of the Netherlands, and the Allied Irish Bank.

The BH privatisation has so far raised little controversy. This is because it combines two things widely regarded as having merit. One is that it brings a handful of foreign investors into its "stable" investor group (long-term minority investors), which accounts for 43 per cent of the offer. The other is that it creates interest among local retail investors as well as local and foreign institutions in the bank's offer of another 45 per cent next week.

Thus, the disposal includes incentives for small local investors, gives the sale a patriotic flavour, gives foreign institutions a role in providing capital and know-how, and leaves the present management in day-to-day control of the bank.



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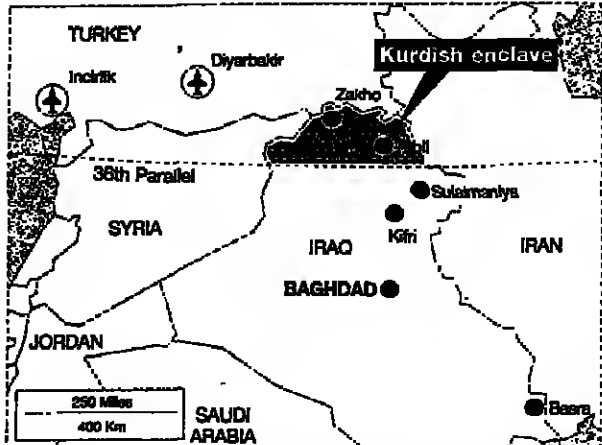
Troops massing on Kurdish borders

By Kelly Couturier in Ankara

Iran, Iraq and Syria are massing troops along the borders of the Kurdish enclave in northern Iraq where a week-long Turkish offensive against Kurdish separatists continues at full force, Turkey's state-run Anatolian news agency reported yesterday.

"Syria, the country which gives the biggest support to the [PKK] separatist organisation, has built up troops at the northern Iraq border using the excuse of a military exercise," Anatolian said, citing unnamed military sources.

The agency said Iran and Iraq had also moved troops to the border of the enclave,



where at least 10,000 Turkish soldiers backed by heavy artillery and fighter jets have been hunting down guerrillas of the Kurdistan

Workers Party (PKK), who use the area as a rear base to launch attacks into Turkey. The pro-PKK MED-TV station, based in Belgium,

reported Iraqi military activity near the enclave, saying 50 tanks had been moved near the border separating the Kurdish zone from Baghdad-controlled Iraq, where Turkish troops have set up checkpoints.

In London, a spokesman for the Iraqi National Congress, the Iraqi opposition group, reported that it had received reports of an Iranian build-up, saying that revolutionary guards had been sent to the border. Journalists have been denied access to the area since the beginning of the operation, making independent confirmation of Turkish official reports impossible. Syria gave no official comment about the reports of

troop build-ups, but a Syrian official was quoted as saying the Turkish campaign inside northern Iraq reflected Turkey's "bad intentions" towards its neighbours. No immediate response came from Iran or Iraq.

Iraq, which has been outspoken in its criticism of the Turkish offensive, as it has during past Turkish cross-border campaigns, has asked the United Nations to put pressure on Ankara to reconsider its "aggressive policies" in northern Iraq.

Despite criticism from its neighbours, western nations and the United Nations, the Turkish cross-border campaign showed no sign of abating, with more troops and supplies ferried into the

region yesterday.

Mr Turhan Tayan, Turkish defence minister, said this week that the operation would continue until the aim of eradicating PKK guerrillas from the area was achieved.

Turkey has spent billions of dollars over the last 12 years fighting the PKK, which is fighting for an independent Kurdish state. More than 25,000 guerrillas, government forces and civilians have died in the conflict.

Senior military officials said earlier this year that Turkish forces had cleared many Turkish south-eastern provinces of guerrillas, but that the PKK, based in Syria, still had camps in northern Iraq and Iran.

INTERNATIONAL NEWS DIGEST

Kabila clashes with Tshisekedi

The Congo, formerly Zaire, was still awaiting a new government yesterday as a dispute erupted between Mr Laurent Kabila, self-declared head of state and Mr Etienne Tshisekedi, leader of the radical opposition. In negotiations reminiscent of the lobbying that preceded Mr Kabila's meeting with ousted President Mobutu Sese Seko, the US embassy yesterday mediated between the two sides, both anxious not to lose face.

Aides to Mr Tshisekedi, who regards himself as rightful prime minister, said the leader of the Alliance of Democratic Forces for the Liberation of Congo (AFDL) should visit him at his suburban home and they insist the opposition head must name his own government once reappointed to the post.

But the AFDL, whose forces captured Kinshasa over the weekend, toppling Mr Mobutu's regime, believe it has won the right to determine the make-up of the future government and cannot stoop to petitioning Mr Tshisekedi. The petty wrangling does not bode well for co-operation between the two sides, which have radically different visions for the future. *Michela Wrong, Kinshasa*

New S Africa party planned

Mr Roelf Meyer, estranged ally of the former South African president, Mr F.W. de Klerk, said yesterday he was forming a new political movement to challenge the ruling African National Congress and the National party, from which he resigned at the weekend. He said he hoped the New Movement Process would grow into a party to fight the 1999 elections and change the South Africa's political landscape.

An architect of South Africa's post-apartheid politics of reconciliation, Mr Meyer resigned from the National party and from parliament after a dispute with Mr de Klerk over the party's future. He played a crucial role in negotiating the peaceful handover of power in 1994 from white rule, but has effectively been sidelined by National party rightwingers who regard him as too liberal.

He said his new movement would approach all sorts of people to try to become a viable political party to fight the dominant ANC. *Reuter, Pretoria*

UN adopts watercourse rules

The United Nations General Assembly last night adopted a convention that establishes guidelines for settling disputes among states over international watercourses.

The 37-article convention governs the non-navigational uses of international watercourses, as well as measures to protect, preserve and manage them. It addresses such issues as flood control, water quality, erosion, sedimentation, salt water intrusion and living resources.

But the convention was immediately criticised as flawed. Turkey, which is involved in a row with Iran and Syria over the Euphrates, joined China and Burundi in voting against the resolution. It was approved by 109 members with 27 abstaining.

How effective the treaty - officially a "framework" convention - may be appears questionable in light of the criticisms. The French representative, who abstained, said the text was negotiated in haste, carelessly drafted and "imbued with a partisan spirit". India called it unbalanced and Egypt said the pact could not change previous multilateral or bilateral accords that must take precedence. *Michael Littlejohns, New York*

Sclerosis grips peace process in Mideast

The Tomb of the Patriarchs, said to be the burial place of the biblical Abraham and Sara, is holy to both Moslems and Jews. It is also a symbol of the strengths and weaknesses of the Middle East peace process.

The Tomb is in the heart of Hebron, the West Bank town of which 90 per cent was placed under control of the Palestinians last January. But because of the site's violent past, Moslems and Jews are forbidden to enter each other's places of worship. So far, both sides have accepted the arrangements - agreed at a time when trust and confidence, the cornerstones of the Oslo peace accords, were still in place.

But how long that status quo - based on co-operation between Israeli and Palestinian security forces - will continue depends on how the impasse in the peace process is to be overcome.

"One misunderstanding, one extremist, one breakdown in communication could cause mayhem at the Tomb," said one Moslem worshipper. "That's why the peace process is so important. We have to keep talking." But beyond

Hebron, there is little talking.

Peace talks were suspended two months ago after the Israeli government decided to build a Jewish settlement at Har Homa in south-east Jerusalem, severing this part of the city from the Palestinian controlled areas of the West Bank.

Having failed to persuade the government to reverse its decision, the Palestinians cut off security contacts with the Israelis, a move which has worried Israel since it has relied on Palestinian intelligence-gathering to pre-empt any terrorist attacks by Hamas, the militant Islamic movement.

Neither side will return to the negotiating table until the expansion of settlements is halted and security contacts renewed. Mr Dennis Ross, US Middle East envoy, failed to break the impasse during his recent visit to the region, while Mr Martin Indyk, US ambassador to Israel, said the Oslo process had broken down.

"The real problem is that there is no longer trust and confidence between both sides. We have reached a wall with Oslo," said Mr

Moshe Maoz, professor of Islamic and Middle Eastern Studies at the Hebrew University. "It demands flexibility to breach the wall but we do not have a strong government in Israel to do that and Yasser Arafat (the Palestinian leader) cannot return to the talks without getting something in return."

Mr Saeb Erekat, the Palestinian chief negotiator, insists Mr Arafat wants to restart the talks. "But we are talking at cross-purposes with the Israelis. We want to negotiate the Oslo accords, we want to renew the security contacts."

"But all we hear from Prime Minister Netanyahu is his domestic problems. He keeps saying he is under pressure from his hardline coalition partners so he is only prepared to compromise on this or that. But Oslo is not a soup (market). It is a process and we cannot move away from it."

If the Palestinians feel provoked by the Israelis - whether on settlement expansion policy or the water issue following a demand by Mr Ariel Sharon, infrastructure minister, to have all the West Bank's



Confrontation in Hebron: observers say the real problem is that trust and confidence have broken down between Israelis and Palestinians

precious water resources placed under his ministry - recent Palestinian actions have hardened the Israeli negotiating position.

Yesterday, Mr Arafat condemned a decision by his justice minister to impose the death sentence on any Palestinian who sold land to a Jew. This followed the murder, allegedly by Palestinian security forces, of two property dealers who had done just that.

Last month, a Palestinian journalist who had written (an unpublished) article praising Israel's judicial system was arrested, while the leaders of West Bank teach-

ers striking for more pay were detained.

"If the process was moving ahead, there would not be that element of frustration among the Palestinians," said Mr Erekat. "What I worry about most now is that the deadlock plays into the hands of extremists on both sides."

So far, Mr Arafat has been able to control the ground. There have been no demonstrations against Israel's foot-dragging on the peace process. There has been no violence which the US recently strongly warned against. Mr Arafat's credibility, both domestic and inter-

national, is still strong in contrast to Mr Netanyahu's.

"Arafat and Netanyahu are playing for time. Neither side is interested in returning to the talks. They will only do so when the delay becomes counter-productive," said Mr Abraham Diskin, professor of political science at the Hebrew University.

"It could be riots which might be the catalyst." Or, as worshippers at the Tomb of the Patriarchs in Hebron fear most, an extremist from either side could end the fragile status quo.

Judy Dempsey

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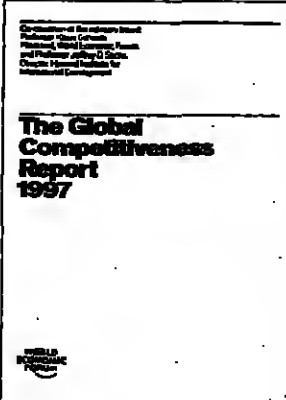
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Chemical industry seeks early adoption of biotech inventions directive

Call for stronger EU patent laws

By Frances Williams
in Geneva

The European chemical industry yesterday called for stronger and simpler European patent legislation, together with early adoption of a European Union directive on the patenting of biotechnology inventions.

The European Chemical Industry Council (Cefic), representing 30,000 companies employing over 2m people, said inadequate and expensive patent procedures reduced the competitiveness of European industry and Europe's attraction for inward investment.

Mr Jürgen Dormann, Cefic president, and chief executive of Hoechst of Germany, told a Cefic conference on patents and innovation in Geneva that the cost of patenting in Europe was "a highly negative factor for competitiveness".

The steep charges were particularly discouraging for smaller high-tech companies crucial for innovation, economic growth and employment, he said.

In such a competitive business, speedy patent procedures were also important, since the company first commercialising a product had a significant advantage in gaining market share.

According to Cefic, filing and maintaining a patent in eight EU member states costs about \$120,000, or almost 10 times as much as the \$13,000 it costs in the US. A large part of this differential relates to translation expenses.

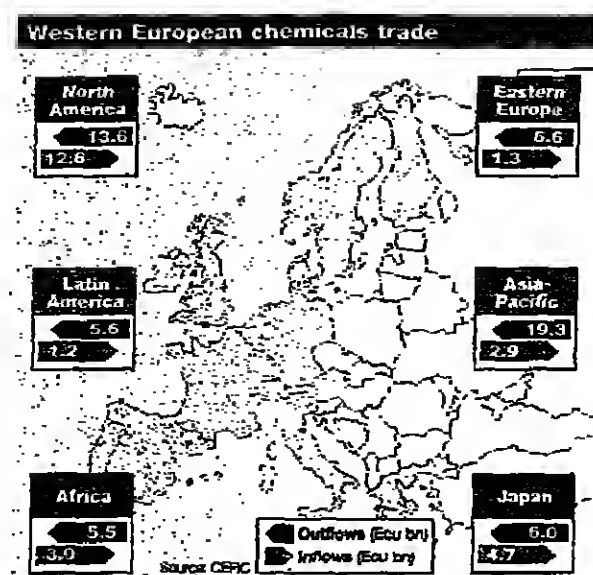
In addition, European industry must contend with two co-existing patent systems and a third on the patents with national patent offices or apply to the European Patent Office for a

patent valid for specified European countries.

The Community Patent Convention will offer a single patent covering all EU members, but Cefic complains that the procedure will have "unacceptably high" costs due to the need to translate the highly technical patent documents into all EU languages.

The European chemical industry is also worried by the enforcement system through national courts which it says will produce "unacceptable legal uncertainty".

Another concern is the lack of European legislation on biotechnology inventions. The European Parliament is considering a redrafted EU directive on the issue, having thrown out an earlier version in 1995. Mr Brian Yorke, head of intellectual property at the Swiss pharmaceuticals giant Novartis,



said yesterday restrictions on the ability of European companies to patent biotech inventions, including plant and animal inventions, would simply drive more research to the US.

While Cefic was opposed to certain forms of experimentation, such as human cloning, embryo research and germ-line genetic therapy affecting future generations, Mr Yorke said ethical considerations were better

looked after in separate legislation than in rules on patents.

Mr Daniel Wagniere, head of technology at Novartis, said that "by dithering around in Europe we are really sending the wrong message" to investors. In relation to turnover, both the US and Japan were attracting more capital investment into the chemical industry than Europe. Editorial Comment, Page 13

Boeing to boost output by 48%

By Michael Skapinker,
Aerospace Correspondent

Boeing of the US plans to increase aircraft production by 48 per cent over the next year to cope with increased demand from airlines.

The group has said it aims to raise production to 43 aircraft a month by the second quarter of next year - the highest in its history. It is at present turning out 29 aircraft a month, and expects to deliver 340 aircraft this year, against 220 in 1996.

Boeing's order book has been boosted by the decision of two US airlines, American Airlines and Delta Air Lines, to make the group their exclusive aircraft supplier for 20 years. These deals have been criticised by the European Commission.

Boeing's deal with American was held up by the airline's dispute with its pilots, but this has now been settled. American has agreed to buy 103 Boeing aircraft and has the right to purchase another 527. Delta has placed 106 firm orders, with options on a further 538.

Boeing is expected shortly to announce an exclusive deal with Continental Airlines of the US. Mr Gerald Greenwald, chairman of United Airlines, has indicated it is also considering making Boeing its sole supplier.

Production of the Boeing 737 is to double from the present 12 a month to 24 by the second quarter of next year. Output of the Boeing 747, the company's biggest aircraft, will increase from four to five by the second quarter of 1998.

Production of the 767 will also go up from four a month to five. Output of the twin-engine 777, Boeing's newest aircraft, will increase from the present rate of five to seven a month in the third quarter of this year but will then return to five a month in the second quarter of 1998.

Storm over Atlantic, Page 13

WORLD TRADE NEWS DIGEST

Cotton dumping duties scrapped

The European Union yesterday dropped proposals to impose anti-dumping duties on unbleached cotton imports from China, Egypt, India, Indonesia, Turkey and Pakistan. EU foreign ministers discussed the issue on Tuesday but failed to agree. The talks followed a flurry of diplomatic activity which saw a modified proposal apparently rejected, accepted, then again rejected.

The EU's 15 members have been split for months over whether to confirm provisional dumping duties imposed late last year on imports of the unbleached cotton worth over \$400m (\$670m).

Foreign Staff

MFN for China battle grows

The battle over China's trading relations with the US heated up yesterday. The chairman of the Senate finance committee, Senator William Roth, said he would back permanent Most Favoured Nation trade status for Beijing, while a bipartisan coalition of congressmen, labour and Christian groups said it wanted MFN withdrawn.

Senator Roth said he would introduce legislation to make normal trading relations with China permanent, but only if China stepped forward with a sound offer on market-opening measures to gain membership of the World Trade Organisation.

President Clinton moved on Monday to renew MFN for China, which grants it the same tariff treatment as most nations that trade with the US. But opposition to the measure in Congress is stronger than in previous years, with the Christian right promising to muster popular support for revoking MFN. Patti Waldmeir, Washington

Bridge builder chosen

An Australian unit of Germany's Bilfinger & Berger was yesterday selected to build a \$465m (US\$66m) bridge across one of the Mekong River's two main arms, Boulders Brook Hornbrook was selected from four Australian construction companies by a joint Vietnamese-Australian steering committee.

Work on the My Thuan Bridge, the Australian government's largest single overseas aid project, will begin next month. The 650 metre long bridge is expected to take about 42 months to build and will enter operation in late 2000. Australia is bearing 66 per cent of the cost and the Vietnamese government the rest.

The bridge will help relieve a traffic bottleneck south of Ho Chi Minh City. AP/DJ, Canberra

Fujitsu plans Vietnam plant

Fujitsu, Japan's largest domestic computer maker and the world's second largest, will build a second factory in Vietnam to produce personal computer parts from July 1998. Fujitsu will invest \$120m on facilities in Bien Hoa, near Ho Chi Minh City, to produce motherboards, or high-density printed circuit boards, to be used in notebook PCs and mobile telephones. Fujitsu expects the factory to produce 7.6m motherboards in 2000. Fujitsu has an existing plant in Vietnam which assembles PC motherboards. The company also produces motherboards at its Akashi plant in western Japan, which will be upgraded to produce circuit boards for advanced computers following the opening of the Bien Hoa plant. Green Robinson, Tokyo

Battle to abolish redundant rules

By Nancy Dunne
in Washington

US and European negotiators today enter final talks on ways to streamline bilateral trade by eliminating the duplication of product inspections, certifications and testing for more than \$40bn worth of transatlantic trade.

A successful conclusion to the talks is vital to maintain momentum for promoting EU-US trade and failure would undermine the credibility of a business-led initiative to develop bilateral commerce.

The deadline for concluding the talks was rescheduled to coincide with next week's EU-US summit between US President Bill Clinton and EU Commission President Jacques Santer after the original deadline of

January 31 was missed.

US officials yesterday expressed pessimism that the negotiations on a mutual recognition agreement (MRA) would succeed as new disputes have appeared even as solutions have been found for others. One senior US official expressed concern about the credibility of the Transatlantic Dialogue process which was launched by US and EU business in 1995 in Seville to further bilateral trade liberalisation.

At issue in the current talks are agreements which would drastically reduce red tape for trade in pharmaceuticals, telecommunications, medical equipment, electrical safety devices and pleasure boats. Each side would agree to accept the other's certification that products meet the importing country's prescribed standards.

"What is at stake is more than a trade agreement," said Mr Edward Rozynski, executive vice president of the Health Industry Manufacturers' Association. "If we can eliminate regulatory redundancy in the US and the EU it would make both of our companies more competitive in global markets. It would let us compete with Japanese and other countries and lower health care costs in all countries."

Ms Paula Stern, a Washington trade consultant, said costs could be greatly reduced. "Of the approximately \$10bn of US merchandise exports to the EU, one half or \$6bn required some form of US certification in addition to any domestic certification requirements," she said.

Negotiators, however, have encountered great difficulties in agreeing to conform to each other's rules. "There is a huge cultural gap," the US official said. Such agencies as the Food and Drug Administration, which regulates pharmaceuticals, have little flexibility under US law. However, it has agreed to allow European inspectors to determine whether EU plants conform to what the US deems "good manufacturing practice" and to review claims for low and medium risk medical devices. However, EU negotiators are demanding a wider product coverage than the US is willing to agree at this early stage of what is described as "a confidence-building process".

Differences have also arisen over the overall umbrella agreement. Both sides have agreed to set up a committee to oversee the

MRA process, but it has not been agreed which agencies will set on the committee and how the process will be managed.

Mr Bernd Langeheine, the EU trade counsellor in Washington, said that it "does not look very likely" that the four or five outstanding issues will be resolved this week, in which case they will have to be bumped up to the political level for decisions.

Hong Kong said yesterday it had signed a World Trade Organisation agreement on government procurement of goods and services. The Agreement on Government Procurement sets out rules on tendering procedures, technical specifications and challenge procedures, and ensures foreign products and suppliers can compete on an equal footing.

Even for Tom Ryan, President of the American Stock Exchange, some markets move much too fast. Like computers. "It makes buying decisions tough," says Ryan. "And turns systems into orphans way too soon." The American Stock Exchange chose DIGITAL solutions for investment protection. "Computer people ought to be sensitive about that issue. No matter how great "Buying computers that are their new stuff is, it ought to work with... fast today, even optimise... their old stuff. DIGITAL obsolete tomorrow just isn't does it." With over 25 million transactions per day, the Exchange can't take a chance on unproven, one-off technologies. That's why DIGITAL solutions have been selected for mission critical trading applications as well as in-house finance, accounting and PC-based networking. From fully redundant OpeoVMS™ clusters to 64-bit DIGITAL AlphaServer™ systems running UNIX®, the Exchange benefits from a single, unified solution delivering the availability and dependability countless investors depend on. You could say DIGITAL has invested heavily in the one thing too often neglected in the computer business- futures. Call 1-800-DIGITAL, ext 335 or visit www.digital.com, and make the DIGITAL edge your own.

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HK investors queue for China's 'red-chips'

By Louise Lucas in Hong Kong

Banks in Hong Kong are under siege from punters desperate to buy shares in the investment arm of the Beijing municipal government.

Beijing Enterprises, whose shares are to be offered this week on the Hong Kong stock exchange, is the latest and biggest of the so-called "red-chips" - mainland-backed companies seeking Hong Kong listings. The company's tangible assets include tourism rights to the Great Wall of China and McDonald's burger outlets.

Yesterday punters were churning out their third batch of share

application forms, bringing the total number printed so far to 1.1m - or more than one for every six people in the territory.

The frenzy illustrates Hong Kong's appetite for "red-chips", virtually all of which have been heavily over-subscribed, in the final weeks of British rule. China resumes sovereignty over Hong Kong on July 1, and while it may still have to win hearts and minds, it appears to have won the battle for wallets. "It's totally profits driven," says Mr Geoffrey Blowers, senior lecturer in psychology at the University of Hong Kong.

"In this period of great uncertainty there's an attempt to max-

imise profit on the present, as an insurance for the future."

Earlier "red-chip" issues, such as those launched by the Shanghai and Shenzhen municipalities, were several hundred times oversubscribed. But all are set to be trumped by Beijing Enterprises. Latest estimates show it will be "well over 1,000 times" oversubscribed, and illuminate for Beijing one of the niceties of Hong Kong style capitalism: simply by issuing shares and depositing the oversubscription cheques for five days it will pocket some HK\$200m (US\$25.5m) in interest - more than half its forecast profits for the entire year.

In spite of Mr Blowers' assertion that Hong Kong is "not a queueing culture," queues grew swiftly outside banks this week. People were said to be stashing up on free copies to sell on at \$100 each. Payment for standing in queues is not new in Hong Kong: money-for-places was common during the property boom, when people queued to secure flats.

Other potential money spinners which have attracted colossal rugby scrums include stamps; in March an elderly collector died in a queue of 4,000 people wanting to buy the last special issue of stamps bearing the queen's head. Across the border in Shenzhen in

1992 police used cattle prods to control investors scrambling for share lottery tickets.

One thing is sure: the fraction of punters lucky enough to win Beijing Enterprises shares in the ballot system will see their investment more than double in less than the time it takes to say "Queene here".

Hong Kong regulators are to consider extending stock exchange opening hours to overlap with London and scrapping stamp duty after a study found an increasing volume of the territory's share trading has switched to London. The Hong Kong market now opens for less than four hours a day.

Left blamed for Indonesia poll violence

By Manuela Saragosa in Jakarta

The Indonesian authorities yesterday blamed an outlawed leftwing group for the spate of political violence that has marred the parliamentary election campaign, officially due to end tomorrow before polling on May 29.

Party leaders have criticised the government's rigid controls, including outlawing street rallies and processions, for increasing political tensions, leading to claims that this has been one of Indonesia's most violent election campaigns.

Lt Gen Syarwan Hamid, chief of the military's socio-political action, was quoted by local papers as claiming the banned People's Democratic Party (PRD) had incited crowds to riot. "Their objective is to spoil the general election," he alleged.

The PRD is a familiar scapegoat for political turbulence in Indonesia. The military blamed it for inciting the riots which broke out in Jakarta in July last year - the worst in two decades - after Ms Megawati Sukarnoputri was ousted as leader of the Indonesian Democratic party (PDI), and replaced by a government-backed faction.

Most PRD members were later arrested and its main activists, charged with subversion, are serving jail sentences.

The military has said about 80 civilians have been killed since campaigning started four weeks ago, mostly in traffic accidents as thousands of Indonesians have taken to the streets defying the ban on outdoor rallies.

Earlier this week, some political parties cancelled

their campaign activities to prevent further violence. But the plan backfired as frustrated party supporters took to the streets.

Campaign violence has grown since supporters of Ms Megawati, who has been barred from taking part in the elections, joined forces with supporters of the United Development party (PUP).

This was an unexpected development. Only the PPP, the PDI and the ruling Golkar party are allowed to contest seats and all candidates have been vetted by the government.

The growing informal alliance between the PPP and Ms Megawati's supporters has given rise to the view that the PPP will attract a considerable "protest vote". Support for the PPP has grown as the party has used widespread resentment over perceived corruption as an issue at its campaign rallies.

Golkar is set to win the election: one Jakarta-based western diplomat described the results as "a foregone conclusion". Golkar officials have said they want to capture 70 per cent of the vote to win their sixth five-year term.

But there is concern that a large turnout for the PPP will make this target more difficult to achieve as will maintaining at least a semblance of a credible election.

No clashes were reported yesterday, but embassies in Jakarta have advised their citizens to prepare for more unrest as the campaign ends and riot police and the military remain on alert. The official month-long election campaign ends tomorrow, with a five-day "cooling off" before polling day.

Bureaucrats pull Japanese airline strings

Bureaucratic meddling in private industry affairs was supposed to have been a thing of the past amid Japan's new-found enthusiasm for market deregulation.

But, as events at All Nippon Airways (ANA) have recently highlighted, the hand of the bureaucracy still reaches deep into corporate Japan.

The sudden decision of Mr Seiji Fukatsu to resign as ANA's president, has brought home to the Japanese public the staunch resistance to change that remains in parts of the economy and the considerable power bureaucrats who have descended from heaven - as those who pursue a second career in the private sector are known - still enjoy.

The departure of Mr Fukatsu, who had launched an aggressive restructuring programme to prepare ANA for the impact of deregulation, comes after an internal struggle with two executives who joined the company from the Transport Ministry, Mr Tokiaki Wakasa, honorary chairman, and Mr Takaya Sugura, chairman.

Not only has the Japanese public been stunned by the sight of the 82-year-old Mr Wakasa - who was arrested and convicted for his role in



Seiji Fukatsu (inset) ran into stubborn resistance to change at ANA

the Lockheed bribery scandal in the 1970s - wielding influence in ANA. The resistance to change that has been brought to the fore by the goings-on at ANA threatens to turn the clock back on the much-needed modernisation of the industry, which faces a battle for survival on the international stage.

Japanese airlines belong to one of the most highly regulated and protected industries in the country and face a pressing need to cut costs, restructure and improve

their competitiveness to meet the challenge of deregulation, particularly in international markets but also increasingly at home.

With just three carriers dominating the ¥2,400bn (\$21.3bn) a year market, and until recently, a highly regulated fare system and strictly controlled traffic, competition has long been

restricted to minor publicity stunts, such as when Japan Air Lines dressed up its stewardesses as Mickey Mouse. The three airlines

only last month launched frequent flyer services in the domestic market, standard in the US for many years.

Against the background of an oligopolistic market, dominated by the "humble" years, notes Mr Douglas Hayashi, industry analyst at BZW Securities in Tokyo.

As a result "labour costs are just out of control," he says, with Japanese pilots, cabin crew and mechanics making anything from double to much more than their

counterparts in the US.

Mr Fukatsu had attacked the high cost problem with zeal and his programme of reforms, while it may not have been aggressive by western standards, was a model for Japan's conservative airline industry.

The ANA president's views on deregulation were also progressive by Japanese standards. A realist by temperament, Mr Fukatsu went so far as to condemn the "open skies" policy the US has been pushing for in bilateral talks with Japan but which the rest of the industry and the transport ministry have vigorously opposed.

His passion for reform, however, did not go down well with the old guard at ANA, which favoured a less radical approach. He also drew the ire of the transport ministry by airing views on deregulation of the aviation market in a speech in Washington and by calling for replacing ministry allocation with competitive bidding in awarding airline slots.

Transport ministry officials, keen to portray themselves as a champion of deregulation, emphasise that they have nothing to do with the affair at ANA.

Steps the ministry adopted last year to deregulate fares

backfired badly when they led to a rise in fares on certain main routes. Tentative measures to open up domestic routes to new airlines have been criticised as not going far enough.

But given Mr Wakasa's close links to the ministry, it has not come out in a positive light. In earlier days at ANA, Mr Wakasa used to be known as "Mr Five o'clock" because at that hour he left the company office for the transport ministry and whisked his old buddies off to the Ginza, according to an airline industry official.

There are growing concerns to the industry that Mr Wakasa will use his influence to secure jobs for his proteges at the transport ministry. "An honorary chairman should not be meddling in the affairs of the company," remarks an industry official.

The incoming president of ANA, Mr Kenzo Yoshikawa, has indicated he expects Mr Wakasa and Mr Sugura to stay in their posts. But until the company can demonstrate Mr Fukatsu's reforms will not be reversed, the suspicions are that the habits of bygone days are back.

Michio Nakamoto

Tokyo split on missile defence system

By Gwen Robinson in Tokyo

Sharp disagreements have surfaced within the Japanese government over a controversial US proposal to join in development of a sophisticated missile defence system, following Japanese media reports that the government is set to reject Washington's proposal.

Defence and foreign policy officials yesterday strongly denied reports that a decision had been taken on Japan's participation in the project, known as the Thea-

tre Missile Defence System (TMD).

A joint US-Japan working group is now working on a feasibility study of the system, which would utilise spy satellites and land-based defences to detect and destroy ballistic missiles, and could cost \$30bn-\$40bn or more, according to defence experts.

Mr Ryutaro Hashimoto, prime minister, has said the government will consider the matter only after the joint study is completed, and will decide on Japan's

involvement by the summer.

However, senior politicians from the ruling Liberal Democratic party are already at loggerheads over the issue. Yesterday's Japanese media reports stemmed from remarks by LDP executives in charge of a government panel on fiscal reform.

The panel is drawing up a list of measures to streamline the government's structure and to cut spending in key areas, including defence, agriculture and social welfare. Defence cuts were among the priorities set out

by Mr Koichi Kato, LDP secretary-general, and head of the panel. Mr Kato and his colleagues have said the TMD proposal would be too costly for Japan.

Privately, however, many politicians say the biggest concern is public sensitivity over Japan's pacifist constitution and its stance against collective defence arrangements, and the use of space for military purposes.

Other senior LDP legislators have expressed support for the TMD project and have said defence spending

must continue to rise at least 4 per cent a year to maintain basic defence capability. They have been supported by a powerful business lobby, led by Japan's top defence contractors, who argue that participation in the TMD project is vital for Japan to stay abreast of technological advances in defence systems.

Meanwhile, foreign policy and defence officials involved in TMD negotiations with the US have said Japan has signalled interest in limited involvement.

Sixty detained in Burma

By Ted Bardacke in Bangkok

Burma's military government has detained at least 60 members of the opposition National League for Democracy (NLD), apparently to stop them attending a party congress at the home of their leader, Ms Aung San Suu Kyi.

Diplomats said the number was likely to grow within days. Those held include NLD members elected to parliament in the 1990 general election which the military junta, known as the State Law and Order Restoration Council (SLORC), refused to honour.

The arrests, which in some cases in upper Burma involved telling NLD members not to leave their homes, recalled similar detentions a year ago when Ms Suu Kyi tried to hold a similar gathering to mark the election.

Then, SLORC was understood to have feared that a gathering of elected MPs could declare themselves a parallel government or open a constitutional convention.

Most of those detained last year were released once the party meeting ended. But in the past year, SLORC is said to have imposed jail sentences of at least three years on 204 NLD members, including 25 elected MPs.

The arrests come 10 days before foreign ministers from the Association of South-East Asian Nations (Asean) meet in Kuala Lumpur, where Burma's application for membership is expected to be decided. Diplomats said the arrests were unlikely to affect those talks.

The arrests come a day after President Bill Clinton issued an executive order banning new US investments in Burma. He cited "serious abuses" by the military government against opponents as a reason for the sanctions.

All existing Burma contracts entered into by US companies and persons can proceed, regardless of the stage they have reached, the US Treasury's Office of Foreign Assets Control said yesterday.

US companies, especially three oil companies with licences to explore for oil and gas offshore from Burma, have been waiting to see how their projects will be affected.

ASIA-PACIFIC NEWS DIGEST

Tokyo damps rate speculation

The Bank of Japan yesterday moved to damp speculation of an imminent interest rate rise, after comments by trade union officials prompted a surge of market volatility. The Bank of Japan insisted no plans were in hand to raise the official discount rate from the 0.5 per cent level in place since September 1995.

The Japanese Trade Union Confederation had asked the bank for a rate rise, to alleviate the position of pensioners and other savers. Union officials said their requests had been well received, triggering large selling of Japanese government bond futures and cash bonds.

The bank insisted its position had been misrepresented; it had no plans to change its policy at present. Most economists think a short-term rate rise is unlikely; others expect one later this summer.

Tokyo's Nikkei stock market index average of 225 leading shares closed down 490.85 points at 19,841.98, after tumbling more than 500 points. The yen closed at ¥114.14 against the dollar in late Tokyo trading, sharply above levels earlier this month, but below Tuesday's late New York level of under ¥113.

Gillian Trill, Tokyo World Stock Markets, Page 34; Currencies, Page 23

Thai tax increases approved

The Thai cabinet yesterday approved a series of tax increases designed to raise an extra ฿7.7bn (\$300m) next year and endorsed a finance ministry proposal to cut the 1997-98 fiscal budget, starting in October, by ฿26.6bn.

The cabinet also heard a report from the country's Budget Bureau that this fiscal year the government would run a fiscal deficit of about ฿63.1bn because of lower revenue collection. It will be Thailand's first budget deficit in a decade and comes in spite of ฿56bn in spending cuts approved earlier this year.

Next year's budget cuts, bringing projected spending to ฿962bn or a 4 per cent increase over this year, will come primarily from current expenditure, particularly the cancellation of a planned 5 per cent increase in civil servants' pay.

Thailand has agreed to lend ฿2.5bn to Hopewell Holdings of Hong Kong to help the company raise the private financing to complete its long-delayed ฿2.2bn mass-transit system for Bangkok. The loan was part of a package of demands Hopewell said the Thai government had to fulfil in order to tap ฿500m in loans from overseas banks, led by Fuji Bank of Japan. Ted Bardacke, Bangkok Observer, Page 13

Australia to cut immigration

Australia will cut its "programme" migrant intake in 1997-98 to 68,000, down by around 6,000 places on the current year, with the reductions mainly from family reunion categories. However, the number of refugees and humanitarian places will be held steady at 12,000.

It is the second consecutive year that the new conservative federal government has cut the programme numbers. Last year, it reduced the non-humanitarian intake for 1996-97 to 74,000, from 83,000, with the humanitarian programme dropping from 13,000 to 12,000. The former Labor government, however, had also wound back the intake significantly, from over 130,000 in the late 1980s. Immigration levels have become a sensitive political issue, as Australia has failed to make real inroads into its unemployment problem since the recession of the early 1990s. Unemployment is running in the 8.5 to 9 per cent range.

Nicki Tait, Sydney

The recent defence of the Philippine peso by the central bank helped cut the country's balance of payments surplus from \$1.43bn for the first four months last year to \$450m, according to the central bank. It said lower dollar inflows and loans payments contributed to the decline. The peso has come under speculative attack this month in the wake of the assault on the Thai baht.

Justin Marozzi, Manila

PUBLIC NOTICES

Arab Republic of Egypt
Ministry of Transport and Communications
General Authority for Roads,
Bridges and Land Transport



INVITATION TO PREQUALIFY

The General Authority for Roads, Bridges and Land Transport (GARBLT), Ministry of Transport and Communications, 105 Kasr El Aini Street, Cairo, invites both Egyptian and foreign investors to participate in an

International Prequalification Procedure

with the purpose of selecting investors, companies and consortia which have an interest in participating in an international tender for

"Investment Road Concession Contracts"

for the design, construction, toll operation and maintenance of the following roads and the development of adjacent and/or other land:-

Alexandria to Fayoum Road,	approx. 199km. and link roads
Fayoum to Dayrout Road,	approx. 210km. and link roads
Dayrout to Al Farafra Road,	approx. 263km.
Dayrout to Aswan Road,	approx. 433km. and link roads
Al Kharga to East of Assiut Road,	approx. 520km.
Al-Sallum to Wadi El Natrun Road,	approx. 508km. and link roads

The Request for Prequalification (RFQ) application forms which require financial, technical and administrative information to be completed by applicants may be obtained from the Procurement Dept. of GARBLT at 105 Kasr El Aini Street, Cairo, upon payment of L.E. 5000 in cash or by a crossed cheque in the name of "The General Authority for Roads, Bridges and Land Transport".

RFQs shall be completed, signed and submitted to the Procurement Dept. of GARBLT - NOT LATER THAN 12.00 noon on the 26th of JUNE 1997.

Each Applicant for prequalification will be notified individually of the decision.

For inquiries, refer to:-

Eng. Fouad Abd El Aziz Khalil - Chairman, or

Eng. Mohamed Salah El Din Saleh -

Head of Central Directorate of Roads, GARBLT

Tel: (002-02) 3541048/3546264/3541235/3556409

Fax: (002-02) 3550591

CONTRACTS & TENDERS

INVITATION FOR BIDS

The Lithuanian Road Administration now invites sealed bids from suppliers for the following contracts:

Lot 1:

11 units Backhoe loaders - operational weights from 8 tons up to 10 tons. Date of delivery to Lithuania - 90 days after the date of signing the Contract.

Lot 2:

3 units of Motor Graders - operational weights from 15 tons up to 18 tons. Date of delivery to Lithuania - 90 days after the date of signing the Contract.

Lot 3:

20 units of Light commercial vehicles - payload about 500 kg. Date of delivery to Lithuania - 90 days after the date of signing the Contract.

Lot 4:

6 units of Brushwood choppers mounted on tractor T-150. Date of delivery to Lithuania - 120 days after the date of signing the Contract.

Tendering for contracts is open to international companies. Bidders are permitted to tender for one or both Lots.

Tender documentation packages may be obtained at the address below upon payment of a non-refundable fee of US\$ 100 for each of the Lots via an irrevocable bank cheque for the foreign bidders.

If requested, the documents will be promptly despatched by air mail, but no liability can be accepted for loss or late delivery. Only parties who purchase the tender documentation packages will be considered eligible to submit the bids.

All tenders must be delivered at the address given below on or before 11 a.m. local time on June 24, 1997, when they will be opened in the presence of the bidders' representatives who wish to attend.

Prospective bidders may obtain further information from and buy tender documentation packages by contacting Mr Juozas Kondrotas, Director of State Property and Service Division, Lithuanian Road Administration, 36/2 Basanaviciaus Street, LT-2009 Vilnius, Lithuania. Tel. +370-2-235849, +370-2-637565, fax +370-2-231362

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NEWS: THE AMERICAS

AMERICAN NEWS DIGEST

St Lucia PM in UK protest

Mr Vaughan Lewis, St Lucia's prime minister, has protested to the British government about the participation of a Labour MP in the campaign for the island's general election on Friday. Ms Clair Ward, the British Labour MP for Watford, joined the opposition St Lucia Labour party's campaign to unseat Mr Lewis' United Workers party. She has been appearing on Labour party platforms in the island.

Mr Lewis described Ms Ward's involvement as "interference" in the island's politics, and said his protest to Britain was "strong." "It means so much for you to have a Labour government here when we have one in Britain as we are going to work together," Ms Ward, 26, told one opposition party rally.

"We find it difficult to understand how a British MP can come this far to pass judgment on what has been going on in St Lucia," said Mr Romanus Lamsquor, the government's public relations officer. "There is no way a St Lucian politician would be allowed to appear on a British platform and interfere with the politics of their country." Mr Lewis, an economist, is being challenged by Mr Kenny Anthony, a lawyer, for the premiership of the eastern Caribbean island of 145,000 people. The economy, based on bananas and tourism, is the main campaign issue.

Carute James, Kingston

Mexican teachers in protest

Striking Mexican schoolteachers staged one of the largest-ever protest marches in Mexico City yesterday to demand a 100 per cent increase in wages. A breakaway faction of the National Union of Education Workers (SNTE) called for a 24-hour national strike and said it had brought 100,000 teachers from the country's misery belt - the poor, indigenous states of Oaxaca, Guerrero and Michoacán - to draw the attention of education authorities in Mexico City. Schoolteachers in Mexico earn less than \$360 a month.

Protests began earlier this year when the pro-government leadership of the SNTE negotiated a 16 per cent wage increase with the education ministry, a rate which fell below projected inflation for the fourth year in a row.

Dissident teachers claim their wages have fallen by 60 per cent in real terms since the devaluation of the peso in December 1994. They have vowed to continue their protests until the government agrees to a better wage settlement.

Leslie Crawford, Mexico City

Argentina corruption attack

Mr Fernando de la Rúa, the mayor of Buenos Aires and a possible future presidential candidate for Argentina's opposition Radical party, said yesterday that corruption remained a sizeable problem in his country.

"The biggest demand of the electorate of my country is for an end to corruption and much greater transparency," Mr de la Rúa said in London during an official visit to the UK.

Since taking over as the first elected mayor of Buenos Aires last August, Mr de la Rúa has set out to increase the autonomy of his administration from the national government of President Carlos Menem. One of his first moves was to bring in legislation tightening up the rules governing privatisations of public sector companies in the capital. In the UK, Mr de la Rúa ratified an agreement with the British Council for increased co-operation in education and established contacts with senior officials of the new Labour government.

Jimmy Burns, London

House approves budget deal

The US House of Representatives approved a five-year balanced budget agreement yesterday after narrowly defeating an amendment which sought to boost funds for roads and mass transit.

The budget is the blueprint for \$1,500bn in US government spending in the 1998 fiscal year and sets goals for balancing the budget by 2002.

Republican leaders had feared until the last moment that the transportation amendment could pass and throw their budget strategy into disarray.

Most of President Bill Clinton's Democrats supported the budget despite the decision by Democrat minority Leader Richard Gephardt, a likely presidential contender for the 2000 race, to oppose it.

Reuters, Washington

Record US exports shrink trade deficit

By Nancy Durne in Washington

US exports were propelled by aircraft sales to a record \$76.5bn in March, shrinking the trade deficit in goods and services to \$8.5bn. Imports, also a record, grew a modest 1.2 per cent to \$85bn, the US commerce department said yesterday.

This comparatively good report was hailed by US trade officials who, in recent months, have had a difficult time defending rising US trade deficits. Mr Everett Ehrlich, Commerce Department under-

secretary, said the "stabilisation", despite strong US growth, gives "concrete evidence of the continuing improvement in the competitiveness of American firms and workers".

Analysts said the two-month improvement in the US trade balance - February's balance was revised to \$10.54bn - cannot be deemed a trend. March sales overseas were boosted by a \$700m jump in non-monetary gold sales - used for jewellery and semiconductors - which tend to surge at this time every year.

Imports were contained by a decline in automotive and oil use. The strong US economy continued to draw in rising imports of foods, and industrial supplies and materials. The trade gap was about \$1bn less than the Commerce Department had predicted. Analysts said this could raise the first-quarter GDP estimate from 5.6 per cent to as much as 6.3 per cent.

The good news was overshadowed by concern over surging imports from Japan, although the impact was not fully registered in the figures released yesterday.

Tokyo said on Monday that its bilateral surplus with the US more than doubled in April from the previous year, as exports were fuelled by a weaker yen.

"We continue to hope that Japan will work to implement the structural reforms that will allow for balanced and steady growth benefiting both trading partners," Mr Ehrlich said.

The US deficit with China improved, as the gap fell from \$3.3bn in February to \$2.3bn. This was due largely to a jump in US commercial aircraft sales. Mr Ehr-

lich said the bilateral deficit "remains an object of concern to this administration".

The US trade deficit with Mexico continued its long-term rise, though exports advanced from \$5.3 to \$5.5bn. However, it is unclear how much of the exports were components sent over the border to be used in manufacture and returned to the US in finished products. Merrill Lynch said the US trade balance was unlikely to show much improvement in the near term but may improve later this year.

Ex-IBM chief in Argentina charged

By Ken Warn in Buenos Aires

An Argentine federal judge has ordered the arrest of the former president of IBM Argentina, Mr Ricardo Martorena, and the former president of state-owned Banco Nación, Mr Aldo Dadaña, on bribery charges.

The arrest orders follow a two-year investigation into the alleged payment of kickbacks by IBM Argentina for the award of a \$249m contract to computerise Banco Nación's 500-plus branches.

The warrants were issued on Tuesday evening by Judge Adolfo Bagnasco. Others charged include Mr Juan Carlos Cattaneo, former aide to the office of President Carlos Menem, and two other former executives of Banco Nación and IBM Argentina.

The judge also indicted five other men, four of them former executives of Banco Nación, on lesser bribery charges.

After the award of the contract, IBM subcontracted some of the work to Consad, a local information technology consultancy. Consad, through a related company called CCR, subsequently charged IBM \$37m for work on a back-up computer system. Mr Cattaneo was a founder of Consad.

The back-up system was not in the original tender and was allegedly never required. It is alleged that some of the \$37m was paid to officials by IBM in bribes.

IBM sacked its top officials in Argentina, including Mr Martorena, in September 1995. It admitted "serious management errors" in its handling of the contract, but denied the payment of bribes. The entire directorate of Banco Nación also resigned after the affair came to light, as did Mr Cattaneo.

FT reporters track telecommunications developments in the Americas

Rush for new markets in Canada

Canadian telephone and cable companies are working hard to devise new service and marketing strategies in the wake of recent regulatory rulings that open the telecommunications industry to competition.

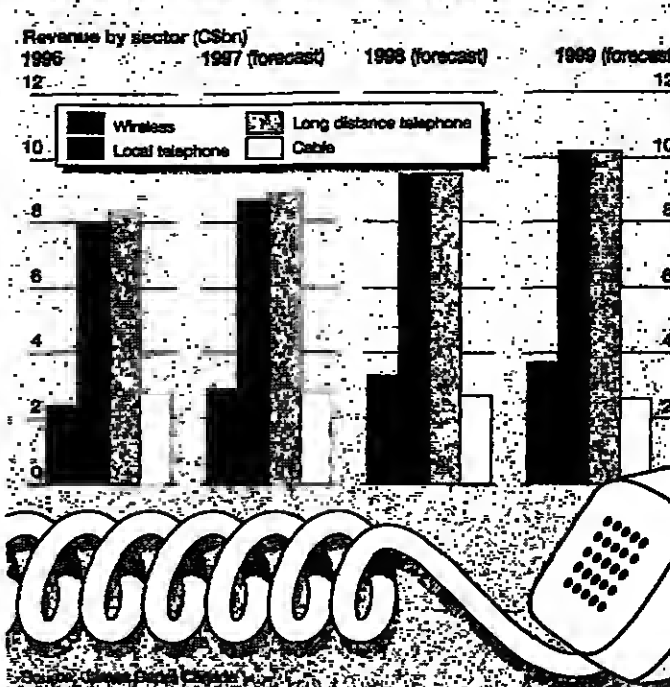
The groups that come out ahead in the reshaped industry are those that offer customers reasonably-priced "one-stop shopping" access to telephone services, cable television and interactive communications through a single network.

The regulatory reform, announced at the beginning of this month by the Canadian Radio-television and Telecommunications Commission, establishes a framework under which new competitors can immediately enter local phone markets and permits telephone companies to provide cable television services beginning in January 1998.

It throws a wide range of service providers, previously limited to their sectors, into direct competition for customers in Canada's \$38bn (US\$5.7bn) a year local telephone market and its \$38bn a year cable market. Long distance telephone service was deregulated several years ago and companies such as AT&T and Sprint Canada are soon expected to battle for local market share.

Exactly how the rulings will reshape the markets remains unclear. The CRTC has yet to resolve many important issues such as interconnection fees, resale prices and subsidies that keep local rates below cost. As with local telecommunications reforms being undertaken in the US, the Canadian reorganisation will take sev-

Canadian telecoms: charging ahead



eral years to sort out. In the meantime, companies will be working feverishly to choose new technology, upgrade existing systems, devise a marketing strategy and establish alliances with other companies.

Groups have already been sizing each other up in anticipation of the CRTC's rulings and many analysts suggest alliances between established telephone companies and wireless providers are likely to be commonplace in the reshaped industry.

"Alliances are key and marketing is crucial," says Mr Dval Ghose, a telecoms analyst at James Capel in Toronto.

Like many telephony pro-

viders, BC Telecom, Canada's second-largest local phone company, has for the past several months been evaluating a prospective wireless partner as it prepares to file for a broadcast distribution licence. Wireless companies pioneering new technology can quickly and relatively cheaply beam a variety of services to small satellite dishes through a network of transmitters.

This technology is likely to be the vehicle through which the telephone companies move into cable television markets. And alliances with the telephone companies will provide wireless companies with strong marketing partners, enabling them to increase their sub-

scriber base by about 25 per cent a year, say analysts.

"The ones to watch are the wireless firms," says Bob Matthews, a telecommunications manager at Royal Bank of Canada.

The 11-member Stentor alliance of regional telephone monopolies, awash in cash, remains the best positioned to take advantage of the opportunities.

The rulings are seen by many observers as generous to the telephone companies, largely because the CRTC shied away from cost-based pricing. With telephone companies being allowed to continue subsidising local service with long distance earnings, competitors will find it difficult

to enter local markets. "That's the nut the commission won't crack," says Mr Eamon Hoey, a Toronto-based telecoms management consultant who advocates a fully competitive market.

But the Stentor companies will be challenged by the CRTC's 4.5 per cent a year productivity gain target, which must be met before they can increase rates. They acknowledge it will be difficult to improve productivity and market new services while losing market share.

"They have set the bar higher than we thought appropriate," says Mr Jim Brooks, BC Tel's director of local marketing.

Cable companies are not expected to fare well under the new rules. Burdened by large debts, they will be hard pressed to purchase switching gear and establish a network with two-way capability. Analysts predict their revenues will drop between 2 per cent and 5 per cent a year over the next few years as consumers switch to alternate providers.

BCE's Bell Canada, the country's largest regional phone company, and Telus of Alberta, the third-largest, have already received regulatory approval to conduct two-year limited broadcast delivery tests, in spite of opposition from cable companies.

Pricing issues and technical matters are to be resolved by committees or through public hearings, a process which can drag on for months or years, preventing competitors from moving forward until the details are clarified.

Scott Morrison

C&W pays \$652m for Panama telecom share

By Alan Carne

Cable and Wireless, the UK-based telecommunications company, yesterday emerged as the successful bidder for a 49 per cent stake in Panama's state-owned telecoms operator, Intel.

The UK company bid \$652m, the highest per capita price paid so far for a stake in a Latin American operator. The Panamanian government will retain a 49 per cent stake with 2 per cent held in trust for employees. C&W will have operational and management control and expects to take charge by the end of this month or next.

The only competitor for the stake was GTE of the US whose bid of \$492m was well

below the government's base price of \$500m.

Panamanian government officials said they expect C&W to invest at least \$500m in Intel, the Instituto Nacional de Telecomunicaciones, with a view to raising line density from 12.2 per 100 inhabitants to 25 per 100 inhabitants.

Mr Richard Brown, C&W chief executive, emphasised management control was an important part of strategy. "We want to go into places where we can control or substantially influence the business," he said.

The London stock market showed a lukewarm response, marking the shares down 6p to 502p in a rising market. Mr Andrew Harrington, chief telecoms

analyst for Salomon Brothers in London, said C&W had not paid an excessive price for the stake but the deal was at the margins of the company's global strategy. It was opportunistic, he claimed.

C&W's chief concerns remain the future of Hong Kong Telecom after the handover of Hong Kong to China on July 1 and the possibility of joining a global telecoms alliance. C&W is talking to Global One, the alliance between Deutsche Telekom, France Telecom and Sprint of the US and AT&T, the largest US carrier, among others. C&W is the third largest carrier of international traffic. C&W West Indies represents 22 businesses in the Caribbean.

By Carute James in Kingston

Puerto Rico will determine "in the next few months" the minimum price for which it will sell the island's telephone company, after which it expects mainly US telecommunications companies to make bids, according to government officials.

The Puerto Rico Telephone company has had a monopoly on telephone services in the US possession in the north-east Caribbean for 22 years.

"The government should not be competing in areas where it is not effective," said Mr Pedro Rossello, Puerto Rico's governor, in announcing the planned divestment. The company,

has a network of 1.5m lines, and made a \$130m profit last year on revenues of just over \$1bn. It has assets of \$2.2bn.

Impending competition will affect the sale price, say local analysts who are predicting the company will be sold for about \$1.5bn. Bell South, Atlantic/Nynex and GTE of the US are the most likely bidders; Telefonos de Spain is also expected to be interested. The sale will be managed by the Puerto Rico Development Bank, which will determine whether the company will be broken up before it is divested.

"Government bureaucracy inhibits the company's ability to compete with the giants now entering the field," said Mr Marcos Rodriguez-Ema, bank president.

Caribbean angry at 'big brother' US

Caribbean governments are objecting to proposals by the US Federal Communications Commission to change the basis on which telecommunications companies share the revenue from international telephone calls.

The governments contend that the FCC proposals for altering the international accounting rates will harm their economies and hinder rather than encourage the expansion of telecommunications services.

The US government and the FCC so far have not accepted these as reasons enough to change their plan for phased introduction of the new rate structure on July 1.

The argument is one of straight economics. Each time a call is placed to another country, the originating telephone company must pay the destination country for completing the call. Under the current system, says the US, it paid \$5bn to foreign operators in

1995 for completing telephone calls. That was \$4bn more than it received from foreign companies. About one out of every four international calls is made from the US.

The FCC argues that Caribbean termination rates for international calls are among the highest in the world. Barbados charges 32 US cents per minute for calls from the US, while the UK, by comparison, charges 9 cents, say FCC officials.

The Commission plans to use gross domestic product figures to determine new accounting and settlement rates for countries. Regional telecommunications companies suggest that the new FCC rates could cost Jamaica \$75m a year, Trinidad and Tobago \$36m, and Barbados \$10m. Officials concede that consumers generally will benefit from lower rates for international calls.

Sectors such as offshore financial services and information services will benefit from reduced rates. However, all consumers will end up paying more for other services to compensate for the carriers' loss of revenues, they say.

In discussions with US officials over the past two months, and in a meeting with President Bill Clinton

Proposed new revenue share-out on overseas calls prompts unease

in Barbados 10 days ago, Caribbean leaders accused the FCC of unilaterally imposing the new rates. They claimed that these would adversely affect the viability of telecommunications companies in several countries.

"It would also retard regional economic development especially in the context of efforts at diversifica-

tion in the services industry," the region's leaders told the FCC.

Mr Richard Wainwright-Lee, Cable and Wireless' director of group development and regional businesses, said: "International accounting rate revenues represent a substantial source of hard currency for many countries."

Local telephone rates could double if Trinidad and Tobago's phone company were forced into rate re-balancing, said Mr Richard Azar, the company's chairman. "The domestic telephone service is heavily subsidised by international call revenue," he said. "If the company is to sacrifice all this revenue, then we cannot continue to place telephones all over the country. Local rates would increase substantially, possibly by as much as 100 per cent."

Caribbean leaders have been told by US officials that telecommunications costs in the region were made high because of monopolies, and

that "competition was the best way to benefit the consumer".

The target here appears to be Cable and Wireless, which is heavily involved in the region. The company says it has invested \$1bn in the Caribbean over the past five years, and will spend a similar amount over the next five years.

Mr Percival Patterson, prime minister of Jamaica, said increased competition and an end to monopolies would not significantly affect the impact of the FCC's change in the accounting rates.

"Whether the telecommunications companies are publicly or privately owned, or a combination of both, makes no difference to our concerns about this FCC proposal. It would mean in many cases that the local rates would have to rise substantially, and would hamper and delay the development of telecommunications services."

Canute James

EMU:
The single
currency
explained
in a single
guide.

The FT Guide to preparing for EMU: Wednesday, May 28.

From the profound implications EMU will have within the major European economies to an in-depth analysis of how companies of all sizes will be affected, the FT Guide has all the answers.

FINANCIAL TIMES
No FT, no comment.

هكذا من النظم

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No FT, no comment.

NEWS: UK

Foreign secretary says ban 'will enable us to speak with authority at negotiating table'

Landmines stock to be scrapped by 2005

By George Parker, Political Correspondent

Britain is to scrap its stockpile of landmines by 2005 at the latest, in a new initiative by the government to encourage a worldwide ban.

Mr Robin Cook, foreign secretary, yesterday gave substance to his promise to bring an ethical dimension to foreign policy by banning the import, transfer and manufacture of anti-personnel mines.

Britain is to take part in the "fast track" Ottawa process, which could result in Britain being in the first wave of major powers to scrap landmines.

The so-called Ottawa group of about 60 nations hopes to sign a declaration to ban mines before the end of the year.

If a treaty is signed, the signatories would be expected to phase out their arsenals by 2000. Other powers such as the United States, France and Russia

would then come under pressure to follow suit.

In a further development Mr Cook announced an immediate moratorium on their use by British armed forces, including the runway-cratering mines used by the Royal Air Force in the Gulf war, until stocks were decommissioned.

Mr Cook said: "Our twin commitments to a ban on trade and a moratorium on the operational use of landmines will enable us to speak with authority at the

negotiating table, and to lead by force of example. Every hour another three people lose their life or lose a limb from stepping on a landmine."

The announcement delighted Oxfam and other humanitarian organisations which have campaigned for years to highlight the thousands of civilian deaths and injuries caused by mines. In recent months Diana, Princess of Wales, has added her voice to calls for a global ban.

"This is exactly the kind of leadership we have demanded from the British government," Oxfam said. "Putting human rights at the centre of foreign policy sends a very positive signal."

Although the Conservative administration had called for a global ban on landmines, it set no timetable for their elimination. It had also considered importing so-called "smart mines", which deactivated themselves over time. The UK had already imposed a ban on the export of land

mines, but no domestic company had manufactured the weapons for many years.

Military chiefs won a concession from Mr Cook that they could ask for ministerial permission to use landmines in "exceptional circumstances", until the stockpiles were eliminated.

The military believes it will have developed alternative "area denial" weapons by 2005 to replace landmines, such as anti-personnel shells fired by artillery.

Trade unions to press for 'social partnership'

By Robert Taylor, Employment Editor

The Trades Union Congress said yesterday it wants to develop a continental European-style "social partnership" with government and employers.

Mr John Monks, the TUC general secretary, denied that this would involve a return to "the kind of arrangements that existed in the 1960s and 1970s" when British trade unions exercised substantial power over Labour governments.

"Nobody wants that," he said. "But I am optimistic the government's clear commitments and strong mandate provides the right backdrop for constructive engagement between the TUC and the Confederation of British Industry (the biggest employers' lobby)." He added that the TUC had made no secret deals with Labour before the general election.

In the first part of what the TUC hopes will be a

The Trades Union Congress is launching a marketing subsidiary today to provide low-cost gas and electricity for union members through partnerships with supply companies. The move is designed to take advantage of next April's liberalisation of the energy market. The new body - Union Energy - is already negotiating with 17 energy companies and hopes to obtain tenders with three of them by the end of June. The deals could mean cuts of up to 20 per cent in gas and up to 10 per cent in electricity bills for trade union members, who account for 4.6m of the UK's 23m households.

developing agenda, it publishes its submission to Mr Gordon Brown, the chancellor of the exchequer, for his promised summer Budget.

The TUC argues that no further interest rate rises are needed this year. Mr Monks said the government was on course to meet its inflation

target so that any rate rise "would damage investment, exports and jobs".

He added: "We do not believe - other than the windfall tax on the privatised utilities - that taxes need to be raised."

Mr Monks said he had met Mr Tony Blair, the prime minister, on Tuesday for the first time since the election to discuss the coming national minimum wage, the European social chapter and other employee rights.

Mr Monks said the TUC hopes to develop a "social dialogue" with the CBI on the implementation of European Union rules in Britain and problems of competitiveness, "where there is a clear mutual advantage in working together".

The TUC is also keen to see trade unions playing an active role in the development of the government's labour market initiatives, especially its "welfare to work" proposals to put up to 250,000 long-term jobless into work.

Labour unleashes a whirlwind

Three busy weeks after years in opposition

May 2 Tony Blair appoints first Labour cabinet for 16 years.

May 5 Chief trade minister Margaret Beckett says government wants "real partnership with industry".

May 6 Bank of England is given power to set interest rates within government targets.

May 7 Foreign secretary Robin Cook says on trip to Paris and Bonn that "stable, negative and fruitless conflict" between the UK and its European neighbours will end.

May 8 Transport minister Gavin Strang to review powers of regulators of privatised rail companies. "This government will not tolerate less-than-optimal performance."

May 9 Blair warns Dutch premier Wim Kok that UK will block admission of EU majority voting into defence and foreign policy.

May 11 Paul Mordue, minister for policy co-ordination, says June Budget will include biggest changes to welfare state for 50 years.

May 12 Foreign Office "mission statement" stresses trade, investment and upholding of human rights. Chancellor Gordon Brown says at his first meeting of EU finance ministers that starting is unlikely to be in first wave of Euro.

May 14 First session of parliament to cover 28 bills including two on private ownership of handguns.

May 16 President Labour MPs are ordered not to campaign against party policy on a separate parliament for Scotland.

May 18 Home secretary Jack Straw orders inquiry into stoppage of mobile phone calls and social and financial to correct marketing and advertising because of the offence of young people. Blair says United Ireland is off government's agenda.

May 19 Blair on tobacco advertising to extend to sports sponsorship. Martin Taylor, chief executive of Barclays Bank, to lead government task force on taxation and benefits.

May 20 Bank of England to lose its supervisory role; closure of slaughterhouse in southern England ordered because of poor standards; government offers to speed up compliance with EU demands on "mad cow disease".



Rail regulator criticises privatised track company

By Charles Batchelor, Transport Correspondent

The rail regulator, Mr John Swift, will tighten his controls over Railtrack - the privatised owner of track, stations and signalling - to ensure it carries out investment promises. Mr Swift said Railtrack's performance in meeting its investment timetable had been "disappointing" and there was no way of checking whether the company

was spending the £1bn it pledged to invest each year.

Mr Swift's proposal to tighten regulatory controls came a few days after a meeting with Mr John Prescott, deputy prime minister and chief transport minister, to discuss the regulation of the railway industry. Mr Swift said, however, that his proposals had been under study for some time.

"The regulator's announcement exposes the weaknesses in the

present system," said Mr Prescott yesterday. "Railtrack receives vast amounts of public money each year. We need a system of regulation which guarantees this money is spent in the public interest."

The City, however, appeared to ignore this tough talk and Railtrack's shares rose 8% to 440p. Railtrack and Mr Swift had co-ordinated their statements to the stock market, and one analyst said that apart from requiring clearer

targets to be set by the company, the regulator did not appear to be planning significant changes.

Mr Swift's announcement came one day after Railtrack unveiled a £1bn programme to upgrade 2,500 stations. He said he welcomed Railtrack's recent publication of its 10-year investment statement but more needed to be done.

"The statement is only a set of plans and I have concluded that it is now timely to consider

strengthening Railtrack's obligations to ensure delivery of those plans. In certain areas, Railtrack's delivery has been disappointing. There remains a substantial backlog of expenditure on network assets, stations and depots which Railtrack must eradicate as a priority."

Mr Swift said he had begun discussions with Railtrack aimed at agreeing a modification to its operating licence.

Upheaval at Bank of England: headhunters pursue staff in doomed supervisory unit

Governor discloses he considered resigning

By Robert Peston, George Graham and David Wighton

Mr Eddie George, Governor of the Bank of England, disclosed yesterday that he had considered resigning over the decision, announced on Tuesday by Mr Gordon Brown, chancellor of the exchequer, to remove responsibility for supervising banks from the Bank.

"All sorts of things go through your mind," he said, though he added he had not seriously entertained the idea of quitting.

Mr Brown has to find candidates for two deputy governor posts and four vacancies on the Bank's new monetary policy committee. Mr Gavin Davies, the chief international economist at US investment bank Goldman Sachs and one of Labour's wealthiest supporters, has been tipped for one of the deputy governorships and is seen as a possible successor to Mr George as governor.

Meanwhile Mr George yesterday disclosed that he still believes the Bank should have a role in supervision,

although he admitted that the government's plan had its merits. Mr George said the lines between banks, securities firms and insurance companies were becoming blurred. At some point they might become so similar that it made sense to put them all under the same regulator.

"We have argued that we are not confident that point has been reached now, but the structure of a mega-regulator makes sense in that kind of world," he said. Although Mr George was only informed of the government's plans on Monday, he refused to criticise the chancellor for failing to consult him about the decision.

"Had we spent more time I think the answer would still have been the same. That would have meant a delay, and I think he was quite right to move when he did," said Mr George.

The Bank's 425 supervisory staff have been thrown into turmoil by the unexpected transfer of their activities to a new super-regulator. Senior officials

admitted their surprise yesterday and expressed concern that their best employees were already being pursued by headhunters.

Many details of how the transfer will be achieved remain unclear and the Bank's directors have been unable to reassure staff on their job prospects.

In the wake of a study carried out by the Arthur Andersen management consultancy, the Bank has been expanding its supervision department. Staffing rose last year by 10 per cent to 425 and Mr Michael Foot, executive director in charge of supervision, said that was likely to rise to 480 by the end of the year.

There is little prospect of redundancies. "Overall, there will be at least as many jobs needing to be done as there were before," said Mr Foot.

The Bank's supervision department has traditionally had much lower staff turnover than the self-regulatory organisations it will be joining at SIB.

Separation of powers still under debate

Years of debate over the ideal structure for financial regulation were swept away on Tuesday by the government's sudden decision to roll responsibility for supervising banks into an expanded Securities and Investment Board, along with the activities of self-regulating organisations such as the Personal Investment Authority.

But the argument over whether it makes sense to place so many functions under the same roof will not go away that easily.

One of the successes of the UK regulatory system, many banks and securities firms would argue, is that it has drawn a distinction between the rules needed to govern a financial adviser selling unit trusts to small investors and the rules needed for wholesale markets whose participants are large banks well able to look after themselves.

The SIB has had overall responsibility for 10 years for investor protection and wholesale markets. But

beneath the SIB's umbrella, the FIA, whose members sell directly to the public, has operated in a very different way to the Securities and Futures Authority, many of whose members deal only with other institutions or professional investors.

Mr Michael Taylor, a former Bank of England official and lecturer at London Guildhall University, argues that the functions of protecting the consumer and protecting the financial system as a whole need to be separated. It is a concern that Mr Eddie George, governor of the Bank of England, has in the past appeared to share.

There are two main arguments for involving the central bank in the supervision of the financial system. First, the central bank, through its role in the payments system, handles the accounts of all banks. It is therefore, in theory, well positioned to spot danger

signals.

Second, the central bank is the lender of last resort. If

it is to step in to support a failing bank, it must be in constant touch with that bank and others showing similar weaknesses.

Even to cases where the Bank of England has not put up its own resources, such as Barings, many officials argue that its intimate knowledge of the ailing bank enabled it to broker the deal which allowed ING of the Netherlands to take over the Barings business.

That is an argument that Mr Alan Greenspan, chairman of the Board of Governors of the US Federal Reserve system, makes even more forcefully, in his efforts to ensure that process of reforming financial regulation in the US does not result in weakening the Fed's role in banking supervision.

"It is critical that we guard against diminution of this role as yet another unintended consequence of financial reform," he warned recently.

George Graham

UK NEWS DIGEST

Trade minister to visit Japan

Mrs Margaret Beckett, the trade and industry secretary, is to head a trade delegation which will travel to Japan this weekend. She will meet senior ministers from the ministries of finance and of international trade and industry (Mitl).

She will also meet Dr Shoichiro Toyoda, honorary chairman of Toyota, and head of the Keidanren, the industry federation, and will address senior representatives of large Japanese investors in the UK and financial services executives.

Mrs Beckett said: "A key element of my visit will be to brief Japan's leading investors in the UK on the new government's continuing strong support for them. I have seen first hand the benefits that inward investment from Japan brings to the UK with Toyota's operations in Burnaston, in Derby. I intend to ensure that the UK is the most attractive place for further Japanese and other international business."

She also announced reforms of UK government support for companies taking part in international trade fairs to give business greater input to the targeting of funds. She is reversing the former Conservative government's plans to allocate trade fair support on the basis of competitive bids, a move which was sharply criticised by business when announced in January. David Wighton, London

ETHNIC MINORITIES

Groups improve position

Chinese and African-Asians in Britain have improved their economic situation to the point where "in many ways they are doing as well as white people", according to a study published yesterday.

And a higher proportion of ethnic minority children than whites now stay on to education after the age of 16, the most detailed study of ethnic minorities in Britain, produced by the Policy Studies Institute, shows.

The study, the fourth in a series begun in the 1960s, found relatively high unemployment among some ethnic minorities. About 15 per cent of white, Chinese and Indian men of working age do not have a job, compared with 40 per cent of Pakistani and Bangladeshi and 31 per cent of Caribbean. Only 20 per cent of Pakistani and Bangladeshi women work compared with two thirds of whites and other ethnic groups.

The report found that Pakistanis and Bangladeshis are "in serious poverty": more than 80 per cent have incomes below half the national average, four times the number of whites. Edward Whitehouse, London

FILM INDUSTRY

Spielberg opts for Ireland

Mr Steven Spielberg, the Oscar-winning Hollywood director, has decided to transfer part of the production of his new film *Saving Private Ryan*, from England to Ireland despite a strong lobby by the UK film industry.

The decision is a blow to the UK film industry, which had hoped the prestigious Spielberg production would be the first of a series of US-funded Second World War films to be shot wholly in the UK. The war is a fashionable theme in Hollywood. Part of *Saving Private Ryan*, a war-time drama starring Tom Hanks and Edward Burns, will be filmed this summer at a disused British Aerospace site north of London. Mr Spielberg had planned to shoot the D-Day landing sequences on the coast of eastern England.

His plans changed when the UK defence ministry refused to supply 1,000 professional soldiers or Territorial Army volunteers to act as extras in the landing sequences. The ministry said not enough soldiers were available because so many military personnel were on active duty. Alice Roushorne, London

AGIP CLAIM

Island court sets aside judgment

The 1989 Agip judgment issued in the UK High Court against Isle of Man accountants Jackson & Co was yesterday set aside by the island's court. The island between Britain and Ireland has extensive law-making powers.

Agip, the Italian state oil company, claimed originally to be defrauded of US\$17m over a seven-year period up to 1986. The money was being transferred from its Tunisian branch through offshore companies and London to a Tunisian woman residing in Paris. Jackson & Co handled the transfers for the last 18 months and Agip's claim against them, and the judgment, was for the final payment sent down this route in January 1989.

The judgment, for repayment of US\$18,000 plus interest, was registered in the Isle of Man at the end of 1989 then assigned to Bowring Insurers in the island.

Mr Barry Jackson and Mr Ian Griffin have consistently fought against the judgment since 1989, saying Agip was not defrauded and knew the payments were being made and where they were going. Sue Stuart, Isle of Man

CONSUMER CREDIT

\$2bn rise in borrowing recorded

Consumer credit remained robust last month as banks reported a £1.23bn (\$1.98bn) rise in borrowing by individuals during April. Last month was the seventh in a row that personal borrowing rose by more than £1bn, the British Bankers Association reported yesterday.

Mr Tim Sweeney, director-general of the BBA, said April's figure was the second largest monthly rise since the series began, with banks' mortgage lending up by £740m and consumer credit by £497m. April's total was £1.88bn more than March, but below February's record level of £1.37bn.

Overall lending by major banks showed a modest rise, the BBA said. Seasonally-adjusted lending in sterling rose by £1.04bn, substantially below March's increase of £2.15bn and the average for the last six months of around £2.8bn. The slowdown was caused in part by a lower level of lending by banks to other financial institutions of around £1bn, compared with £1.7bn in March.

M4 money supply - which measures cash plus bank and building society deposits - grew by 0.3 per cent during April, and 10.4 per cent in the year to April.

It is still above the 3 per cent to 9 per cent annual monitoring range adopted by the government, but well below the more than 11 per cent growth that had been forecast by economists. Richard Adams, London

Watchdog warns that attack on 'systems bomb' is faltering

By Paul Taylor in London

A report to parliament published yesterday suggests that the government's programme for ensuring that its computer systems will be "Year 2000 compliant" is already slipping.

The report, from Sir John Bourn, head of the National Audit Office, says most government departments are aware of the Year 2000 computer problem, but do not know how much it will cost to make the modifications needed to ensure that systems continue to work after December 31 1999.

The so-called "millennium bomb" results from the common software practice of storing the year in a date as

two digits - 97, rather than 1997 - to save memory. After December 31 1999, affected computers may malfunction in unpredictable ways because of their inability to recognise a date in the 21st century.

The report reveals that most departments are still at the stage of auditing their systems even though a deadline of January this year had been set for completing an audit.

Last autumn, two government agencies, the Central Information Technology Unit and the Central Computer and Telecommunications Agency, set out a programme of action to ensure that the government's response to the millennium bomb was "co-ordinated

and coherent". As part of that process, the agencies set three criteria of success:

● Completion of the audit process by January 1997.

● A prioritised and costed programme of action by October 1997 for all departments.

● The testing of all modified systems by all departments by January 1999.

The National Audit Office report also notes that "at this stage it is not possible to estimate costs with confidence" because the audits have yet to be completed.

Mr Robin Guenier, head of Taskforce 2000, the body sponsored by the government's Department of Trade and

Industry to raise awareness of the problem, said the report was "worthy but thin" and expressed concern that it might encourage "complacency" in the government machine.

He expressed surprise that government departments were still completing their audits and questioned how most could be confident about completing the work on time.

"Until an audit is complete it is impossible to know the size of the problem," he said. "Most private companies which have completed audits have found that it is much bigger than they expected."

Estimates prepared by Taskforce 2000 have put the total cost of

tackling the "bomb" in Britain at £31bn (\$50bn).

● One fear is that share prices in companies hit by the bomb may collapse. James Mackintosh writes. Predictions from the US are that this is likely to happen to 1 per cent of businesses.

However, so far only one large UK fund, Scottish Widows, has announced that it is limiting its investments to year 2000 compliant businesses. Most UK companies have not yet tackled the problem.

One UK regulator admits that she would never invest in anything - from a pension through to equities - without checking with the company that it has corrected its computers.

Mr Guenier says everyone "should ask their pension fund [if it is] fixing its own systems and investing only in companies which are [2000] compliant".

He adds: "It would be very prudent for everybody to get a hard copy record of their bank account, pension and investments towards the end of 1999."

Meanwhile, CrestCo, the operator of the Crest automated settlement and share registration system used by the London Stock Exchange, says its system "will not be affected".

"Small investors should not have any worries that their shares will just disappear - there is no risk of that," it states.

ARTS

Minister Japan

Chaos, cleverly handled, is a wonderful movie device. It transforms the two best films of the week, *Beavis and Butt-head Do America* and *Love And Other Catastrophes*, from dodgy-sounding essays in shoe-string extemporisation into comedies smartly laced with satire, madness and indulgent topicality.

Their combined budgets must have been less than Arnold Schwarzenegger's cigar allowance in *Eraser* and their scripts were probably written late at night, under the influence of anything going: coffee, nicotine, insomnia. But one film is a screwball charmer about life and love in Australia's X or possibly Z generation. The other is an animated feature whose rude draughtmanship helps, not hinders, its cause.

As on MTV, where their school-boy jokes and convulsive snickers punctuate, and puncture, the solemnity of wall-to-wall pop promos, *Beavis and Butt-head* are majestic cartoon nerds. In the much commented-on "dumbing" of America, led by such stalwarts of arrested development as Jim Carrey and the Wayne's World team, B and B are the Beaumont and Fletcher of inanity.

They do almost nothing but talk while having almost nothing to say. Yet creator-animator Mike Judge, who wrote and directed, fills them with the spirit of insane adolescence. Sex, TV, acne, illiteracy, rude jokes, hyperexcitability: all teenage life is here, with no-one to cry "When" as it is decanted into the big balloon words that sway atop stick-like bodies. *Beavis* is the one who looks like John McEwan seen through a distorting lens. *Butt-head* has the velociraptor teeth, *Bride of Frankenstein* eyebrows and manic chuckle.

Judge pushes them out of a TV studio into a road movie. They zig-zag across America from Los Angeles to the White House via Las Vegas, caught in complicated or incomprehensible plots involving girls, drugs, car crashes and the FBI in the face of every danger and temptation they remain virgally harmless, while also cracking up at their own behind-the-bicycle-shed puns and jokes.

The duo has become so legendary that the soundtrack is filled with guest voices, including Robert Stack, Demi Moore and Bruce Willis. But the best voices are the heroes' own, both ventriloquised by Judge. A virtuosic feat, not least when *Butt-head* twice swallows an overdose of uppers and turns from a mild delinquent into a deranged mouthpiece somewhere north-by-northwest of Robin Williams.

Love And Other Catastrophes was made by a 23-year-old film school graduate, Emma-Kate Croghan. No juster compliment can be paid than to say the movie looks and sounds like it. It is fresh, funny and non-synthetic. Croghan has assembled a group of chums and made them play Melbourne University students, pushed by fate and irony through a day of lost-and-found love, of vocational crisis, of recre-



Filled with the spirit of insane adolescence: the cartoon nerds reach the Washington Monument in 'Beavis and Butt-head do America'

Cinema/Nigel Andrews

Chaos on a shoestring

BEAVIS AND BUTT-HEAD DO AMERICA
Mike Judge

LOVE AND OTHER CATASTROPHES
Emma-Kate Croghan

ANNA KARENINA
Bernard Rose

MON HOMME
Bertrand Blier

JUNGLE 2 JUNGLE
John Pasquin

ational pleasures (not that far removed from those of *Beavis* and *Butt-head*).
Allowing for mild cuteness attacks, this is a winning ensemble piece. Croghan takes her spry, eclectic sense of humour partly from the mentors she quotes - Jane Austen, Lewis Carroll - and partly from the eternal contemporary comedy that is campus life: a place where young people dedicated to growing up are surrounded by older people dedicated, even more strenuously, to staying young.

Boris Yelstin reportedly emerged from the Kremlin during shooting on *Anna Karenina*, the first western film made entirely in post-Soviet Russia, and asked everyone to keep the noise down.

One cannot imagine what the sequence was. Most of this Tolstoy epic written and directed by Bernard Rose (*Candide*, *Immortal Beloved*) defies us only with its demureness. The passionate vocalised by Sophie Marceau's Anna and Sean Bean's Vronsky would fill a small broom cupboard, while James Fox's Karenin is a poodle cast as a Pinscher and Alfred Molina's Levin has the beleaguered speech rhythms of a Tony Hancock

lost in Railway Cuttings, East Petersburg.

The famous adulterers "fall" for each other for no better reason than their inability to stand up, either as characters or as embodiments of a great passion. Rose's often excruciating script is full of right-on jargon like "Alyosha, you have the moral high ground." I ended up doodling my ideal modern cast - Jeremy Irons as Karenin, Kristin Scott Thomas as Anna, Liam Neeson as Vronsky,

Kenneth Branagh as Levin - while watching this one down in the sumptuous post-Soviet/pre-Soviet scenery.

"I was born with a talent to make sap rise," Anouk Grinberg gurgles serenely as the gamine Parisian hooker in *Mon Homme*. In Shakespeare all the world's a stage; in Bertrand Blier it is a brothel. The new film from the French maker of *Les Valseuses* and *Trop Belle Pour Toi* is another essay in sex-obsessed boulevard surrealism, in which Adam delves and Eve comes, with many an unprintable sigh and exclamation of pleasure.

Feminists have applauded Blier for his portraits of women as sexual and career initiators. But I doubt that any political agenda is really behind a heroine like Marie (Grinberg), who cocks a gartered leg at every man passing her *mon* son de pouce, adopts a flirty tramp (Gerard Lanvin) to make him her pimp and lover, and whistles away his ensuing jail sentence by playing at being a housewife before once more taking up the bandbag and fishnet stockings. In Blier's comedy human identity, like human morality, just gets pushed through the revolving door of human happenstance.

The first half-hour is the best: a montage of imperitantly funny sex scenes, spiced with touches of Feydeau (client hiding in cupboard) and dialogue in which high candour meets high Dadaism. "Did I make you come?" asks the painting client; "It wasn't the Pope," deadpans the breathy prostitute.

Jungle 2 Jungle is the film you can drop Aunt Edna off at before seeing *Mon Homme*. No one has sex here: as in all Disney movies life happens by parthenogenesis. Not that "life" is the first word you would apply to this by-the-numbers comedy in which stressed New York stockbroker Tim Allen meets his long-lost son born and raised in an Amazon Indian tribe. (Never mind how or why.)

Just as Allen's Mr Wall Street is out of place in the big jungle, so the boy is out of place when whisked off to the Big Apple. While *Crocodile Dundee* and *The Emerald Forest* might seem likely models, the film was actually based on a French comedy, *Un Indien Dans La Ville*. The funniest moments, though, are the silliest and most incidental: notably a cat sedated by a hippo whose rigor-mortised antics are as endearing as those of the famed parrot in the Monty Python sketch.

cally good, but a few of the English actors handle them with an unspontaneous quality that makes the play feel more laboured than it is. And, in truth, it is already laboured. When John talks to his daughter of making candles for the unholy people of Baltimore, he puts it this way: "Am I not bringing little bundles of light to a place that light cannot feed?" Such lines are more precious than lovely.

The level of acting is never less than high, with exquisite contributions from Julian Glover as John, Stanley Townsend as Patrick, and Ingrid Craigie and Harry Towb in supporting roles; and above all from Susan Engel and Anne Carroll as Fanny's two aunts. But the overall impression is too exquisite. Although I love the ending, it is a long haul getting there.

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Recitals in London

Mezzo of the moment

Who is the mezzo of the moment? Anne Sofie von Otter is too well-established, Cecilia Bartoli too sheltered and nona too versatile. No, the only mezzo-soprano who can rightly claim the bouquet is Susan Graham, the most European of younger-generation American singers. Having conquered Covent Garden, Salzburg and France in the past three years, she has just recorded her first solo disc and begun an international recital tour. She richly deserved her full house at the Wigmore Hall in London on Tuesday.

Anyone expecting Graham to offer the same personality as her Cherubino, Composer or Marguerite would, however, be disappointed. She is a reticent, careful recitalist - more the girl-next-door than a stage artist who sets out to woo her audience. A Graham recital is all about the voice; what she does with it is less interesting.

But what a voice! Here is a fragrant high mezzo which sounds perfectly shaped in every register. She is in complete command of it, and it responds with effortless projection. Like so many of her American colleagues, she has achieved that projection at the expense of warmth and colour. And a range of different colours was the quality most noticeably missing from this recital.

The programme took us on

a tour of Graham's strengths and successes: Mozart, Richard Strauss, some French mélodies, Bernstein, Bolcom and four Lieder from *Des Knaben Wunderhorn* to whet our appetite for what must surely develop into a wider Mahler repertory. Her opening group of three Mozart love songs were more felicitous than flirtatious, showcasing her shapely coloratura and linguistic skill, as she flirted from German to Italian (and later to flawless French) with disarming ease. Uniformity of expression robbed her Mahler of painterly breadth, but Strauss's *Leises Lied* brought out the shimmering glint of Graham's middle voice.

The pick of the evening was her Raynald Hahn selection after the interval: A *Chloris* was pure Elysium, as the voice filled out with Gluckian rapture, and time stood still in *Infidelté*. Her Poulenc was almost as persuasive - particularly *Paganini*, in whose insouciant wit she and her accompanist, Roger Vignoles, sparred. We would gladly have tarried in Graham's Paris much longer - but it was back to Broadway for a somewhat strait-laced closing group of vernacular tunes. Graham is a lovely singer. She has yet to develop into a story-teller.

Andrew Clark

A pianist always true to himself

Tuesday's recital was the big one in Maurizio Pollini's long-awaited Beethoven piano cycle. It included the "Hammerklavier" and was also the one in which Pollini's controversial ideas about tempos and metronome marks were most likely to be tested.

So, after his fast speeds at some of the earlier recitals it was a surprise to encounter nothing especially out of the ordinary here. The "Hammerklavier" is the *locus classicus* of unlikely metronome markings in Beethoven's work and if Pollini was going to shock us by following them, this was the time to do it. Instead, he took a sensible middle route, the music driven headlong, but keeping it within playable bounds.

His cycle is presenting the sonatas in chronological order, so all the mighty late Beethoven is coming at the end. At this penultimate recital the "Hammerklavier" was preceded by the small, lyrical Op.90 and the much more intriguing Op.101. Both were disappointing. Pollini held to his purist line, playing down the drama inherent in the music to the point at which important events become almost matter-of-fact.

The technical differences may be minimal, but the impact on the music's character is enormous. For example, the motif which

introduces the fugue in the last movement of Op.101: it can be dramatic, or violent, but here it was simply loud and short. Pollini gave away little of his feelings in these pianistically irreproachable performances.

Then, for the "Hammerklavier" he returned, after the interval, a changed man. From the opening chords this sonata burst into life. The rhythms were defined with extra bite; the pace was not just fast, it had real purpose and drive. Non-pianists may not realise how difficult it is to keep a semblance of order at speed in the part-writing in the outer movements of this work, but Pollini was phenomenally incisive: only an exceptional technician can achieve this kind of clarity and make it exciting.

The long Adagio was sculpted with classical perfection. This was the view from Mount Olympus: the light was dazzling, the skies were pure blue, the horizon far away, as the music stretched out into the distance, its calm surface unruffled by any disturbance or shadows lurking below. Other pianists may find more sentiment or variety, but Pollini is one of the Olympians, and is always true to himself. The last recital is on June 15.

Richard Fairman

Theatre/Alastair Macaulay

Poetic pain of departure

The Romantic issue of leaving home goes deep in much Irish art. In leaving the community, you pull up your own roots. You assert your own individuality at the price of betraying a part of yourself. Whether you leave family, village, or Ireland itself, the departure is an almighty wrench, attempted with both desire and pain: so we see in Irish playwrights from J.M. Synge to Martin McDonagh.

This is the central theme of Sebastian Barry's play *Prayers of Sherkin*. Its slow and wordless conclusion is exceptionally poignant: Fanny Hawke, centre-stage, is being slowly rowed by the ferryman, and her progress is indicated simply by the gradual fading of the light on her father, John Hawke, waving her a shy farewell on the right shore, and by the gradual rising of the light on Patrick Kirwin,

her husband-to-be on the left. We feel the love that both men feel for her; and we feel her suspension between the two.

Since *Prayers of Sherkin* was first performed in Dublin in 1990, Barry has won widespread acclaim as the author of *The Signifier* (1995). *Sherkin* is a small island off the southern Irish coast, to which three dissenter families from Manchester moved in the 1790s. They only married within their own sect; but no newcomers arrive and now, in the 1890s, one family remains, its womenfolk all spinsters. To marry Patrick, whom Fanny meets during

the play, she must leave family, island, religion.

Much of the play concerns Sherkin and, naturally, its prayers. The play is slow, stylised and poetic, and this prepares us for the slow, stylised poetry of its conclusion. The characters speak their Irish dialect in long and perfect sentences, with ellipsis few and far between. The rituals of island life - such as John Hawke's craft as a candlemaker - are given their *leit* and little beauty, and the poetry of the family is given its due honour.

The problem that this raises in performance lies in the tension between the controlled purity of

island life and the naturalistic pressures felt by its individuals. In John Dove's Old Vic production, when Fanny's brother Jesse chokes early on, it seems unduly momentous; we think it will amount to more than it does. When Catherine Cusack delivers Fanny's night-time prayer ("Peace to the Ganges, my God, the Amazon and the Shannon") she moves with a realistic fidgetiness that contradicts the calm rhythm of her speech. True, there are contradictions within Fanny; but Cusack does not quite know how to show two simultaneous layers of thought.

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INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● The Philadelphia Orchestra: with conductor Wolfgang Sawallisch in works by Brahms, Schumann and Dvorák May 25

BARCELONA

EXHIBITION
Fundació Joan Miró Tel: 34-3-3291908
● Flying Over Water. The Icarus Adventure. British film director Peter Greenaway approaches the universal theme of the human desire to fly with a large installation occupying the Foundation's entire exhibition space; to May 25

BERLIN

CONCERT
Konzerthaus Berlin Tel: 49-30-203090
● Berliner Symphoniker: with conductor Alan Francis and

saxophonist Olga de Roos in works by Verdi, Leoncavallo and Tchaikovsky; May 25

BRUSSELS

EXHIBITION
Palais des Beaux-Arts Tel: 32-2-5078200
● De Kunst van het Verzamelen: exhibition of 20th century works of art from the collections of five Dutch museums; to May 25

DRESDEN

OPERA
Sächsische Staatsoper Dresden Tel: 49-351-49110
● La Bohème: by Puccini. Conducted by Klaus Peter Seibel. Soloists include Birgit Fandrey, Eva Kirchner and Mario Carrara; May 23

COPENHAGEN

EXHIBITION
Louisiana Museum of Modern Art Tel: 45-48 19 07 19
● Men and Gods: exhibition featuring 200 objects of religious and mythological significance found during excavations in China over the last two decades; to May 25

ECHTERNACH

CONCERT
Festival International d'Echternach Tel: 352-728347
● Orchestre Philharmonique du Luxembourg: with conductor Paul Polivnick, marimba-player Emmanuel Séjourné and organist Carlo Hommel in works by

Wagner, Liszt, Karger and Saint-Saëns; May 25

EDINBURGH

EXHIBITION
National Gallery of Scotland Tel: 44-131-5568921
● Cassiano dal Pozzo's Paper Museum: assembled in Rome by the collector and connoisseur Cassiano dal Pozzo (1588-1657), this selection of drawings reflects his encyclopaedic range of interests; to Jun 8

FLORENCE

DANCE
Teatro Comunale di Firenze Tel: 39-55 211 1158
● Apollo & Daphne: choreographed by Karole Armitage to music by Handel, performed by the Compagnia di Ballo Magglo Danza. Part of the Maggio Musicale Fiorentino 1997; May 22

FRANKFURT

EXHIBITION
Städtisches Kunstinstitut Tel: 49-69-805098-115
● Pablo Picasso - Suite Vollard: display selected from Picasso's Suite Vollard, a series of 100 works produced in the early 1930s; to Jul 27

GLASGOW

POP MUSIC
Glasgow Royal Concert Hall Tel: 44-141-3326633
● Neil Sedaka: performance by the American rock singer; May 23,

24, 25

HAMBURG

CONCERT
Musikhalle Hamburg Tel: 49-40-486920
● Hamburger Symphoniker: with conductor Miguel Gómez-Martínez in works by Brahms and Strauss; May 25

LEIPZIG

CONCERT
Gewandhaus zu Leipzig Tel: 49-341-12700
● MDR Sinfonieorchester: with conductor Stanislaw Skrowaczewski and violinist Waltraut Wächter in works by Barber, Bernstein, Skrowaczewski and Debussy; May 25, 26

LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● Takács Quartet: performance by the quartet, accompanied by contralto Catherine Wyn-Rogers, pianist Angela Cheng, violist Louise Williams and cellist Louise Hopkins. The programme features works by Brahms; May 23, 24, 25

MADRID

EXHIBITION
Museo Nacional del Prado Tel: 34-1-3302800
● Catalan Medieval Painting: display of 15 sculptures and 34 paintings selected from a number of collections, including those of the Museo Nacional d'Art de Catalunya in Barcelona and the Musée du Louvre, Paris. The exhibition features Gothic works from the 14th and 15th centuries, including pieces by Bartolomé Rubio and Maestro Rubio; to Jun 8

First World War; to May 26

QUEENSLAND GALLERY
Tel: 61-7-9304832
● Views of Windsor - Watercolours by Thomas and Paul Sandby: collection of works by the brothers Thomas and Paul Sandby, both important figures in the development of watercolour painting in England during the second half of the 18th century. The exhibition includes a number of Paul Sandby's best known views of Windsor Castle; to Jul 13

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PARIS
CONCERT
Cité de la Musique Tel: 33-1 44 84 45 00
● Ensemble Intercontemporain: with conductor Hans Zender and tenor Kurt Aresberger in works by Schubert; May 24

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The Metropolitan Museum of Art Tel: 1-212-679-5500

● Indian Court Painting: 16th-19th Century. Exhibition of paintings tracing the various traditions of Indian painting over four centuries. The display is one of three at the Met marking the 50th anniversary of India's independence; to Jul 6

PARIS

CONCERT
Cité de la Musique Tel: 33-1 44 84 45 00
● Ensemble Intercontemporain: with conductor Hans Zender and tenor Kurt Aresberger in works by Schubert; May 24

PARIS
EXHIBITION
Galerie Nationales du Grand Palais Tel: 33-1 44 13 17 17
● Angkor et Dix Siècles d'Art Khmer: exhibition of Cambodian art, including a number of stone, bronze and wood sculptures. The exhibition draws mainly on the collections of the National Museum of Phnom-Penh and the National Museum of Asian Art in Guimet; to May 26

VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Recital by pianist Murray Perahia; May 25

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WORLD SERVICE

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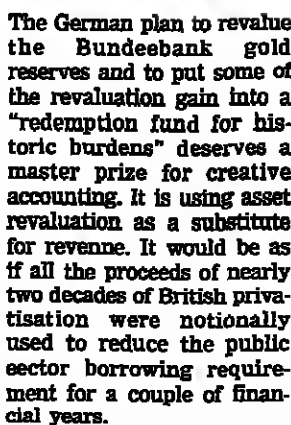
EURO

COMMENT & ANALYSIS

Economic Viewpoint • Samuel Brittan

A fallback plan for Emu

It is high time for EU governments to formulate some defensive strategy on how to proceed if there were some derailment of monetary union



The German plan to revalue the Bundesbank gold reserves and to put some of the revaluation gain into a "redemption fund for historic burdens" deserves a master prize for creative accounting. It is using asset revaluation as a substitute for revenue. It would be as if all the proceeds of nearly two decades of British privatisation were notionally used to reduce the public sector borrowing requirement for a couple of financial years.

The prevailing German slogan of achieving a 3 per cent budget deficit "and nothing more" is absurd, as it takes no account of the state of the business cycle and the disappointingly slow fall in unemployment. The use of one absurdity to beat another may be defensible if it is too late to rethink fundamentals. But even if the German government can get away with this cosmetic adjustment, the European Monetary Institute will be concerned with the sustainability of the budgetary position.

Most difficult of all: how will the German government now be able to object to any use of creative accounting by Mediterranean countries to qualify for the first wave of European economic and monetary union in 1999? Yet many sections of German financial and political opinion that might just tolerate a small Emu confined to Germany and its immediate neighbours, as well as France, would draw the line at a big Emu with Mediterranean countries as well.

Rather than rely on playing politics with doubtful numbers, the Bonn government would be well advised to tell the government in Rome privately and frankly that Emu will not happen at all if Italy insists on joining in 1999. On the other hand, it should revive the plan of German officials to provide Italy with a cast

iron guarantee of entry a couple of years later if the country's stabilisation efforts continue on their present route. Such conversations may already have taken place for all I know - despite the preference of Mr Lamberto Dini, the Italian foreign minister, for deferring the whole project if difficulties arise.

Even if Italy can be squared, Spain and Portugal stand a good chance of achieving the Maastricht fiscal criteria without cosmetic devices. I do not know what would be more difficult to sell the German public a semi-Mediterranean Emu without Italy, but including the Iberian peninsula, or to persuade Spain and Portugal to wait until they can come in with Italy. This is not to speak of many other hurdles, including the possibility of French socialists, who have cooled off towards Emu, cohabiting with President Jacques Chirac after the coming election.

Let us resist the temptation to say with Marx (Groucho not Karl): "I would not want to join a club which would have me as a member." If forced at gunpoint to make a guess,

mine would still be that Emu will be launched some time in 1999. Nevertheless, present problems confirm the plea I have made in a booklet of collected essays for a fallback plan in case Emu does not take off by or soon after the chosen date.

My main suggestion is that something could be learnt from the British example when sterling fell out of the exchange rate mechanism. In other words, countries should fall back on domestic inflation targets which might eventually be harmonised with European partners. Christopher Taylor, a former Bank of England official and Emu expert, has however suggested an institutional reinforcement.

Taylor would like to revive the "hard Ecu" plan devised by Paul Richards of Samuel Montagu, which the UK government put forward officially in 1990-92 to run in parallel with existing currencies. It was rejected by other EU countries, with only Spain showing some sympathy. The plan at the time was so obviously used to paper over cracks among the British Conservatives, and also as an attempt to

delay Emu itself, that the rejection was not surprising. But Taylor believes that, should an Emu crisis arise, a variant of it would be worth reviving.

The idea of the hard Ecu was to redefine the Ecu basket so that it was never devalued against the strongest European currency. That part of the proposal was more or less understood. But the most important innovation was an international institution which could create or destroy hard Ecus by its own transactions, just as all central banks now do with their domestic currency. This institution - which could now be the European Central Bank - would be able to ask the authorities of a devaluing country to redeem its holdings of its currency in hard Ecus. This would inflict a reserve loss and be some deterrent against devaluation.

The main point of the scheme, however, was that the hard Ecu would develop to the extent that the private sector wished as a parallel currency. The pace would not be forced by governments. The background to the hard Ecu was that most European countries were already in the old ERM, which had very narrow bands of fluctuation. But with the new ERM, which has much wider margins of 15 per cent, something different would be required.

Taylor now suggests a guarantee of real purchasing power. What I find attractive about the idea is the ultimate guarantee in terms of real goods rather than just of one piece of paper against another.

A guarantee could be given in several ways:

- Purchasing power could be preserved against an average of existing consumer price indices.
- It could be preserved against a European price index devised directly by

Emu expectations*

Market probabilities

	Current	6 months ago
	1996	1996
France	1.00	1.00
Belgium	1.00	1.00
Spain	0.82	0.85
Italy	0.65	0.75
UK	0.48	0.70
Portugal	0.82	0.95
Finland	0.80	0.80
Sweden	0.85	0.89
Ireland	0.64	0.70
Denmark	0.54	0.54

*The Emu Calculator is a J.P. Morgan estimate of the market's probability assessment of individual countries joining Germany in a monetary union in 1999 or any other date.

BOOK REVIEW • Pam Waldman

LOCKED IN THE CABINET, by Robert Reich
Alfred A. Knopf, \$25, 338 pages

An outsider's view of the inside



Self-deprecating humour is not the strong suit of the American political class.

Many in Washington struggle to recognise wit, even when they stumble across a clear-cut case in daylight.

So a funny book by a politician about politics is something of an oxymoron. Perhaps that simply proves that Mr Robert Reich, the former labour secretary, was not cut out for US politics.

Under the circumstances, it is a wonder that he survived four years in Washington. Politically, Mr Reich was ill-suited to the times. Described by one Washington publication as "someone who believes in sucking the salaries of the successful to succour the system of the socialists", he was a moral warrior cast in a pit of pragmatists. In an administration restlessly searching for the "vital centre", he was an old Democrat in the land of new Democracy.

His "soak-the-rich politics" was an embarrassment to a president bent on occupying the electoral ground at the vital right-of-centre. But his economic moods were even more of an annoyance. Secretary Reich constantly stressed the economic anxieties of the working class, voicing the fear factor at a time when feelgood was the only mood approved by the White House. His colleagues declared him to be out of sympathy with the psychology of the times.

Certainly, Mr Reich was out of sympathy with Washington. He describes the nation's capital as a "one-company town whose only subject is the company... It's an echo chamber in which the identical conversation is repeated all day long, ricocheting this way and that way, bouncing off the walls of newsrooms and

boardrooms, congressional lunchrooms and state dining rooms, late into the night."

Ha provides not only a transcript of that conversation - what was said, in cabinet and salon, among the bright and powerful - but also a running translation. Secretary Reich decodes the dialogue to reveal an underlying, naked conversation about power - from which he usually emerges the loser.

The wit of the narrative does not mask his disappointment with President Bill Clinton. The word "betrayal" finds its way obliquely into the book near the end. It is an unspoken theme from the beginning. Mr Reich fondly remembers his Oxford classmate: the hick from Arkansas who plied him with chicken soup and kindness on a rough Atlantic crossing. But he disapproves of the politics of the grown-up president, who tacks to left and right as the wind blows.

Implicitly, he endorses the conclusion of Mr Dick Morris, political consultant: that though Mr Clinton may seem unsteady in his politics, his will is unwavering. "He always knows his ultimate destination," said Mr Morris to Mr Reich. "Back to the White House."

Much of the narrative takes place there or, more precisely, in the car park between the White House and the Old Executive Office Building, the no-man's-land where Mr Reich lurked to ambush the truly powerful. The former labour secretary mocks his own attempts to get inside the invisible perimeters of power, what he calls "the loop". He draws a comic sketch of himself - "extremely short, bearded and long-nosed, like a terrorist from one of those backward countries" - loitering outside the executive loo or in the power car park. He deflates not only his

own importance, but also the notion of power in an administration run, in its early stages, by whim and chance encounter. And he captures the way in which the invisibly powerful buffeted the mind of the president. Mr Reich delivers an indictment of a politician who constantly adjusts ideals to fit ambition. In many ways, it is a naive indictment; but it is heartfelt.

Mr Reich captures the intensity of the White House obsession with balancing the federal budget, which he describes as the "singular goal of domestic policy". He tries to answer, perhaps the most intriguing question of the last election: why did feelbad turn to feelgood, almost overnight? To hear Mr Reich tell it, the president single-handedly altered the mind of the nation through his rhetoric. His pollsters advised him to tell Americans they were feeling economically optimistic. He told them, and they obliged.

But moral indignation is not the book's strength. Much of it is a turgid treatise on class war, complete with fulmination against Mr Robert Rubin, the Treasury secretary, and Mr Alan Greenspan, the Federal Reserve governor, as puppets of Wall Street.

The best bits are the gags against Mr Reich himself. His sketch of the day he was cotenationally urine-tested for drug addiction; and the time when, challenged by union leaders to prove he was not an effete intellectual, he protested that he could wield a screwdriver as well as the next man - and pulled out a monkey-wrench to prove it.

This is an outsider's view from inside the cabinet - a valuable vantage point.

Locked in the Cabinet is available from FT Bookshop, FreeCall 0500 500 635 (UK) or +44 181 324 5511 (outside the UK). Free p&p in UK.

LETTERS TO THE EDITOR

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Greenpeace shows ambivalence to dinosaur-era technology

From Mr Mark Cantley.

Sir, You report ("Greenpeace push to stop new oil searches", May 16) the enthusiasm of the Greenpeace International executive director, Mr Thilo Bode, for environmentally friendly technologies, and his intention to tell the Chinese that western companies are selling them dinosaur-era technology.

The need for a shift towards sustainable technology is unquestionable in many fields. Rachel Carson's *Silent Spring* (1962), focused on pest control, noted that "A truly extraordinary variety of alternatives to the chemical control of insects is available. Some are already in use and have achieved brilliant success. Others are in the stage of laboratory

testing. Still others are little more than ideas in the minds of imaginative scientists waiting for the opportunity to put them to the test. All have this in common: they are biological solutions, based on understanding of the living organisms they seek to control, and of the whole fabric of life to which these organisms belong. Specialists representing various areas of the vast field of biology are contributing - entomologists, pathologists, geneticists, physiologists, biochemists, ecologists - all pouring their knowledge and their creative inspirations into the formation of a new science of biotic controls".

This reads like a far-sighted description of the subtle approaches now being

applied through modern biotechnology in agriculture, building selective pest resistance into the plant by precision genetic modification. Unfortunately, and ironically, in several countries we find Greenpeace is leading campaigns to stymie the "dinosaur-era" technologies, and fighting against the use of molecular biology to design more acceptable ways of feeding 10bn people without screwing up the planet. Mr Bode should persuade his colleagues to favour scientific integrity over cinematic opportunism - or listen to the Chinese, who are well ahead in such applications.

Mark Cantley,
131 rue Verhert,
B-1030 Brussels,
Belgium

Shunned by industry

From Mr Derek Wiles.

Sir, It was with great interest that I read the letter headed "UK must demonstrate its commitment to Europe" (March 11) and signed by 23 top executives of British industry. In it the writers state "... we cannot expect our proposals and our criticisms to be taken seriously if we refuse to acknowledge the enormous benefits which we have already gained by being part of Europe... We need to demonstrate that the UK's continued commitment to Europe is not in doubt."

At present my school is trying to develop language college status, a government innovation where schools raise sponsorship which is then matched by the Department for Education and Employment. In order to enhance the teaching of European foreign languages and to improve European awareness and commitment throughout the curriculum.

I have written to each signatory of the above-mentioned letter explaining our philosophy and requesting assistance in what should be a shared ideal. Not one of those who has responded has been willing to offer any assistance.

If this is a practical demonstration of British industry's commitment to Europe, it is little wonder that the UK remains on the fringes of the economic powerhouse that Europe is rapidly becoming.

Derek Wiles,
deputy head,
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Assumption on yields bit of a lemon

From Mr Mark Brown.

Sir, In his attempt to rationalise current US equity valuations, Barry Riley compares apples and oranges and comes up with a lemon ("Relationship problems for inflation protected bonds", May 14). A yield on US equities of 2 per cent points less than US index-linked bonds is justified by assuming that the equity risk premium is only 1/4 per cent. This is radical indeed as the conventional view is to assume a risk premium in line with the historic actual (ex-post) outperformance of equities which is around 6-8 per cent per annum over most long-run periods. Conventional is clearly wrong and has not caught up with the move to low inflation, but

assuming virtually no premium seems equally misleading (is there no such thing as a risk anymore?).

A better way to rationalise the relationship between US equity and bond yields is to recognise that US companies currently pay out 22 per cent less of their earnings in the form of dividends than has been the case historically. This reflects the move to other forms of rewarding shareholders, particularly share buy-backs. The effective yield on US equities is, therefore, higher than appears and they are held partly in anticipation of the continuation of these "extra" rewards. Alternatively, if the pay-out ratio in the US were to return to its historic norm, dividend growth

would be 2 per cent per annum higher for the next 10 years than the "normalised" figure used by Mr Riley. This would suggest that the equity risk premium is of the order of at least 2 per cent. While this is low historically it still suggests a modicum of realism on the part of investors.

The situation in the UK could not be more different: the pay-out ratio is 15 per cent above its historic average. Does the yield relationship in the US really "provide an alternative vision of the future" in the UK?

Mark Brown,
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Single regulator will enhance City of London's position

From Mr Sanjay Dighe.

Sir, Once again this new government has provided the City with a pleasant surprise ("Bank of England to lose role as banking supervisor", May 21). London's pre-eminent position has been threatened by the multiplicity of regulatory organisations and the lack of an overall body to co-ordinate their activities. The record of the Bank of England has also been patchy at best. This move recognises that the old clear-cut distinctions between financial institu-

tions no longer exist. A single regulatory body with sweeping powers and a wider body of knowledge to draw on will reinforce London's position as Europe's financial centre. It will add authority as the government works to stop the EU from

rigging the rules in order to reduce London's market share in European finance after Emu.

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Thursday May 22 1997

Grim choice for France

This Sunday's French election has come sooner than expected, and arguably too soon to be much fun. The voters have to choose between two teams, both of which they have recently seen at work, and neither of which they find at all inspiring.

This contrasts with Britain's experience three weeks ago. The Labour party, after all, had been out of office so long, and had transformed itself so thoroughly, that the sight of it in power is novel and interesting. One could not say the same of the French Socialist party (PS). It has been out of government only four years, and out of the presidency only two. In so far as it has changed, it has done so in the direction parties often do after losing office. Before realising that they need to learn from their opponents and reconquer the centre, they try to reconnect with grassroots supporters who feel betrayed by the grubby compromises of power. That may make party activists feel better, but seldom does much to win the next election.

The PS has gone only a little way down that blind alley, but probably far enough to ensure that President Jacques Chirac does get a new mandate for his supporters in parliament, albeit with a much reduced majority. Yet the result looks likely to be uncomfortably close. Voters may not be convinced by Mr Lionel Jospin, the Socialist leader, but nor are they in a hurry to forgive Mr Chirac and his prime minister, Mr Alain Juppé, for the broken promises and disappointing economic performance of the past two years. Many seem likely to cast a first-round protest vote for Mr Jean-Marie Le Pen's National Front, prolonging the suspense until

the second round on Sunday week.

Mr Chirac is reaping the fruits of his 1996 presidential campaign, when the need to compete with Mr Edouard Balladur, then prime minister, obliged him to run as an opposition candidate, promising a radically new and different approach. In fact he has kept the same policies, which is not really surprising since Mr Balladur is a member of his party, and was applying a set of policies they had worked out and campaigned on together. It would be ironic indeed if, as some rumours suggest, Mr Chirac were to sack Mr Juppé after the election and reinstate Mr Balladur as prime minister.

France is suffering from high unemployment and very slow growth. These symptoms are aggravated by the deflationary effect of the fiscal rigour required to meet the Maastricht criteria for the single currency. A Jospin government would not intentionally abandon this effort, but would probably be less single-minded in pursuing it than Mr Juppé has been.

The structural cause of France's economic woes, however, is a still over-regulated labour market weighed down with social charges, making it risky and unprofitable for employers to create jobs. Neither left nor right is really offering to tackle this problem, but there must be a slightly better chance that a rightwing government would do so, especially one that included Mr Alain Madelin.

So liberal and European-minded voters have two reasons to re-elect the governing majority, even if without exaggerated hopes.

Septic shock

The stock market yesterday savaged Celtech, the oldest UK biotechnology company, for the unexpected failure of its leading drug in the final phase of clinical trials. Celtech's own share price was almost halved and the whole UK biotech sector fell in its wake.

Some previous biotech disappointments have been attributed partly to excessive hype and over-enthusiastic promotion of dubious research by companies and their PR advisers. Such accusations cannot be made of Celtech and BAYX-1351, its failed treatment for septic shock.

Celtech is the most cautious UK biotechnology company. Its development partner for BAYX-1351 was Bayer, the conservative German pharmaceutical group. Both companies made a huge effort to develop the drug thoroughly, and they did nothing to encourage excessive expectations. If investors cannot blame hype this time, they may have to learn a more fundamental lesson: that biotechnology is an even riskier enterprise than they have appreciated.

In particular, investors must realise that the risk of failure in the final phase of clinical testing - what the industry calls Phase III trials - is much higher

for biotech products than for the chemistry-based drugs developed by traditional pharmaceutical companies. Something similar happened earlier this month to Autolimmune, a US biotech company, whose share price fell by 70 per cent when its multiple sclerosis treatment showed no benefit to patients in Phase III trials.

The reasons for the vulnerability of biotechnology to Phase III disappointment are still poorly understood even by specialists. They have something to do with the complexity of biological products and processes.

For example BAYX-1351 is designed to prevent the complicated cascade of biological events that lead to septic shock - a condition that may follow systemic blood poisoning. Perhaps septic shock has too many contributory factors for it to be susceptible to treatment by intervening at one point in the cascade. Certainly, it is harder to design a clinical trial for septic shock drugs than for most other diseases. But the industry will go on trying; it cannot ignore a condition that kills more than 100,000 people a year. The financial rewards for the company that succeeds will far outweigh the money spent on failed attempts so far.

Inching ahead

Even by Washington standards, reform of the 1933 Glass-Steagall Act governing US banks has been a long time coming. Three times in the past 10 years, Congress has been on the brink of bringing the legislation into line with reality by repealing the provision separating commercial and investment banking in the US. Three times it has lost its nerve.

Mr Robert Rubin, Treasury secretary, does not want to make it a fourth time. Earlier this year it had looked as though the administration was hoping not merely to repeal the Glass-Steagall ban but to start breaking down the more general barriers separating the banking sector from the world of commerce. But the new administration reform proposals outlined yesterday by Mr Rubin have no such grand ambitions.

The proposals suggest that the administration has resigned itself to two facts of life. The first is the reality of modern-day banking. A series of recent regulatory decisions has eroded the Glass-Steagall ban so far as to make it almost inoperative. In effect, the new legislation would simply extend to all banks operating in the US the same freedom to stray into securities, insurance and other services,

which Mr Eugene Ludwig, comptroller of the currency, granted national banks last November.

The Federal Reserve has since decided to loosen its own restrictions on foreign and domestic banks getting into these areas, subject to a restriction that the new business represents only a small share of the companies' revenues. Presumably Mr Rubin foresees this restriction being lifted.

The second reality is that Congress, though broadly united over Glass-Steagall reform, was unlikely to pass any very radical regulatory shake-up, particularly given the Federal Reserve's own penchant for gradualist reform. Even this modest step towards updating the system would be considerably better than nothing at all. But in working with legislators, the administration must at least ensure that the ad hoc approach big gap in the ad hoc approach favoured by the Federal Reserve, the lack of a clear regulatory framework incorporating rules on firewalls between businesses and investor protection. Without this, pragmatic or not, those who have been urging Mr Rubin to act will wonder why he is bothered.



Storm over the Atlantic

The challenge by the EU competition commissioner to Boeing's merger plans may spark a row with the US, says Guy de Jonquieres

part from a fondness for scarlet socks, nothing marks out Mr Karel Van Miert, the European Union's competition commissioner, as an audacious risk-taker. But by taking aim at the proposed merger of Boeing and McDonnell Douglas of the US, the affable Belgian socialist has embarked on what looks like a daunting political gamble.

Mr Van Miert's apparent determination to challenge the deal, worth \$13.3bn (£8.2bn) when announced in December, has triggered a bitter transatlantic war of words. The two aerospace companies have accused him of exceeding his authority and showing bias, while a group of US senators has told President Bill Clinton that Mr Van Miert is prejudging the case.

The commissioner's tactics are also stretching nerves in Brussels. He announced an investigation into the deal before his advisers were certain it came under EU merger regulations, and has since openly paraded his concerns about it in the US and Europe. "He is skating on pretty thin ice by talking tough before the investigation has been completed," says an EU official.

Mr Van Miert is standing his ground. He insists that EU law requires him to vet the merger and entitles Brussels to block it if found anti-competitive. If the companies ignored a veto, the Commission could declare the merged group illegal, place restrictions on its business in Europe and fine it up to 10 per cent of its estimated \$48bn annual turnover. Boeing has said EU prohibition of the merger could provoke a trade war. Many European diplomats privately agree. Says one: "The fall-out could make the recent EU-US dispute over the Helms-Burton anti-Cuba law look like a sideshow."

The commercial stakes involved are vast. The merger would consolidate Boeing's lead-

ership of the world civil aircraft market, leaving Europe's four-nation Airbus consortium as its sole rival. The deal would also create a powerful US defence group, likely to compete fiercely with European companies for international business.

Many industry observers think Mr Van Miert's hard line is intended to bluff or bully Boeing and McDonnell into making concessions. Since the Commission acquired authority in 1990 to vet all big mergers which could affect EU-wide competition, it has rarely vetoed deals. Instead it has preferred to persuade companies to modify their terms by, for example, divesting businesses.

Until now, close consultation has prevented clashes between US and EU anti-trust policies. Under a 1991 agreement, the two sides have co-operated in investigating mergers, exchanging information and ensuring that their rulings are compatible.

But the Boeing-McDonnell case breaks with precedent in two ways. First, many of Mr Van Miert's reservations focus at least as much on the companies' activities in the US and other world markets, as in the EU. It is unclear whether Washington shares his concerns. Second, the Commission's ability to apply pressure to the companies by demanding changes in their EU operations is limited, because these consist of little more than sales and support offices.

The Federal Trade Commission, the US agency examining the merger, has not indicated how or when it will rule. But many US industry observers doubt the agency will raise any serious objections. They expect its verdict by or before the late July deadline for the European Commission's decision.

If the US approves the deal, but the European Commission vetoes it, the stand-off could turn into a political trial of strength. "That is the ultimate nightmare scenario," says an EU official.

EU officials say their investigation covers a broad set of issues. They include the commercial power of the merged group, Bo-

eing's sales and purchasing practices and the relationship between the two companies' civil and military businesses.

Mr Van Miert is worried that Boeing-McDonnell, with two-thirds of the world market for passenger aircraft and 86 per cent of freight transport sales, could dictate terms to airline customers and blunt competition from Airbus.

His anxieties appear to mirror those of the Airbus consortium. Mr Jean Pierson, its head, warned the FTC this month that the merger could give Boeing-McDonnell a "structural hold" on the industry, spanning the supply of aircraft, servicing, spare parts and even air traffic control systems.

Some industry observers think these fears are exaggerated. They point out that McDonnell has only 3 per cent of the world civil aircraft market and rarely competes directly with Boeing or Airbus. Without the merger, they say, McDonnell's future in the business would be in serious doubt.

Mr Van Miert has raised two other objections, also shared by Airbus. One is that Boeing's policy of negotiating 20-year sole-supplier contracts with airlines is anti-competitive. He has said these arrangements, concluded so far with American Airlines and Delta of the US, would make the merger difficult to approve.

He also argues that Boeing and McDonnell together account for 84 per cent of passenger aircraft in service worldwide, and is worried that airlines would be dependent on the merged group for servicing and spare parts.

Yet Mr Van Miert's strictures about producer dominance in aerospace sit oddly with his enthusiasm for the 1994 merger of the landing gear businesses of TI of Britain and Snecma of France. He blessed that merger, with Airbus's approval, even though it made the group the consortium's exclusive supplier. He even praised the deal as "a

reinforcement of the competitiveness of the European industry".

Furthermore, leading airlines seem untroubled by the Boeing-McDonnell merger plan. British Airways, which has never bought Airbus, does not expect it to lead to higher prices. Lufthansa of Germany, a customer of Boeing and Airbus, is confident the two suppliers will continue to compete.

American Airlines, which operates 260 McDonnell Douglas MD-80 aircraft, welcomes the merger because Boeing would continue to service them. American had been worried that it might not be able to obtain spare parts if McDonnell went out of business.

What weight Mr Van Miert is giving to the airlines' views is not known. However, his unusually critical public statements about the merger seem to leave him little room to back down without suffering a serious blow to his - and the Commission's - authority.

His best hope for scoring a victory appears to lie in getting Boeing and McDonnell to modify the deal, or in convincing US authorities to take a tough line towards it. It may not be clear for several more weeks whether either option is likely to succeed.

Some competition policy experts believe high-level political negotiations with the US may be needed to avert a confrontation. There are suggestions that the issue may be raised by Mr Clinton and Mr Jacques Santer, the Commission president, when they meet in The Hague next week.

But whether a compromise could be worked out, and what shape it might take, is highly uncertain. "Just where this affair will end up is impossible to say," says an EU official. "The outlook is very murky."

Additional reporting by Bruce Clark in Washington, Michael Skapinker in London and Emma Tucker in Brussels

OBSERVER

Exchange of views

■ New York New York, the hotel and casino complex which is one of Las Vegas's newest themed resorts, has incurred the wrath of the august New York Stock Exchange.

The resort's gambling tables nestle among replicas of Big Apple landmarks: the Statue of Liberty, the Empire State Building and the stately pillared facade of the NYSE's building, which dominates Wall Street. In case anyone misses the resemblance, a sign above the one-armed bandits invites punters to enter the "New York Slot Exchange".

Unamused, the NYSE has slapped a trademark infringement lawsuit on the casino charging it with "bastardising" its trademarks - the building as well as the name - and making the exchange "the subject of ridicule". The suit, filed in New York federal court, is designed "to protect our marks," explains NYSE spokesman Ray Pellicchia. "The use of our marks and name suggests our sponsorship or licensing of this business and that's an incorrect and inappropriate assumption. It's confusing to people."

MGM Grand, the hotel and casino operator which has a big

slice of the New York New York resort and is listed on the NYSE, declined to comment on the suit against the casino, but the exchange will doubtless be relieved to know that it won't be considering a change of listing as a result.

Flying Dutchman

■ Pieter Bouw has evidently been feeling the seven-year itch. In August he climbs out of the pilot's seat at KLM which he has occupied since the beginning of 1991, saying that is long enough for anyone. At 55, he will have been with the Dutch flag carrier just four weeks short of 30 years.

So what next for the trucker's son for whom transport has been a ruling passion? He still has non-executive roles at organisations including the state railways, and says he won't seek a similar position on the supervisory board of the privatised airline. Changes to the Dutch corporate governance code are anyway discouraging the traditional packing of such non-industry independent bodies with worthies who have served their time in the company's management.

Instead he spoke yesterday of offering himself as a "personal counsellor" to executives. "People at the top of companies often want someone to talk to," he maintains - about

themselves, rather than their latest strategic onslaught.

But it's KLM itself that's looking lonely right now. It is locked in a loveless long-distance partnership with Northwest Airlines of the US, which wants to remain at least kissing cousins, and has had no success in finding an enduring relationship closer to home as European airlines pile into bed with one another.

Barbie's cue

■ Barbie has found a new friend. The ubiquitous multiskilled doll produced by Mattel has teamed up with "Share a Smile Becky" who, in an attempt to reflect the diversity of American society, is in a pink wheelchair. Mattel says Becky is designed to appeal to "differently abled" children and encourage their inclusion in play; all children should have toys they can identify with, it said at yesterday's launch.

Becky arrives on the shelves as disabled rights activists celebrate pushing the Clinton administration into adding a wheelchair to the memorial for former president Franklin Delano Roosevelt, who always refused to be photographed in his wheelchair. Becky will help disabled children "move from dependency to the American dream" says

disability campaigner Paul Hearn. "While the Congress is debating the FDR statue, free enterprise is taking the lead with the creation of Becky."

Taxing times

■ Thais looking for somewhere to escape the tensions caused by their country's economic crisis will have to pay a bit more for their diversions. Tax increases passed by the Thai cabinet yesterday included higher rates for the country's racetracks and massage parlours, the latter famous for more than just health treatments.

On top of its own tax hike, the "massage" industry will have its costs boosted indirectly by special tax increases on crystal chandeliers and marble, without which the entrance to no self-respecting parlour is complete. The female staff may raise also find their cost base under pressure, as taxes on perfume are going up too.

Pom deter

■ It's official: Australians can call the British "poms". The country's Human Rights and Equal Opportunity Commission has ruled that it's unlikely to offend, insult, humiliate or intimidate. So maybe the Aussies will stop using it.

Financial Times

100 years ago

An Improbable Canal. Our Consul at Riga devotes a considerable proportion of his report to the pastime of bubble-pricking. One of the most important of these bubbles is the Baku and Black Sea Canal. Consul Woodhouse points out that all the reports are devoid of foundation. What is really happening is that the channels of the Dvina and Dnieper are being improved, and that the connections of those rivers are being deepened. But as for cutting a canal from end to end for vessels of any size, the action seems as non-existent as the dodo.

50 years ago

U.S. May Cut Tyre Output It is becoming increasingly evident that the reason for the decline in the rubber price in New York is the realisation that the tyre industry has already more than satisfied the backed-up demand for tyres and that dealers are becoming over-supplied with these goods, which are estimated to use about two-thirds of all rubber consumed in the U.S. Mr. Herbert E. Smith, president of the United States Rubber Company, said: "The tyre shortage is definitely over."

Mercedes joins the other big brands in Jurassic parking lot

Christopher Parkes in Los Angeles enjoys the commercials in *The Lost World*, where Tyrannosaurus wrecks a star car

Even if *The Lost World* fails to break the \$316m world box office record of its ancestor *Jurassic Park*, it should play well in Tuscaloosa, Alabama.

Steven Spielberg's latest film - a \$75m blend of cinematic DNA from *Jaws*, *King Kong*, *Thomas the Tank Engine* and *Jurassic Park* - can count on a successful run in the city's cinemas because one of its stars enjoys local hero status.

It's the new Mercedes M-Class sports utility, which is to be unveiled to the world this week, before its US launch later this year, and it is being built in Tuscaloosa at the company's first non-German car manufacturing base.

The Mercedes is one of a clutch of high-profile brand names appearing in *The Lost World*.

The latest Nikon camera and a JVC video recorder are prominent, and even an unfurled Financial Times can be seen fleetingly in a less robust cameo role - satisfyingly associated with a bottle of Perrier Jouet champagne.

It's all part of the so-called product placement business. The idea is that a product seen



Supporting role in a film blockbuster: the new Mercedes M-Class sports utility, which is launched tomorrow

in the company of a star or taking an active role in a successful film - as the little Mercedes does in a decidedly unequal struggle with *The Lost World*'s angry Tyrannosaurus family - gains enhanced customer appeal.

The promotional benefits for products "placed" in or associated with popular films have traditionally been most readily appreciated by mass-market consumer companies.

But the prime targets this time are the male cinema-goers who are expected to take

along families and friends to admire all the toys for boys, and especially the M-Class.

Mercedes, in its first such venture into Hollywood, is hoping for an effect on the M-Class similar to that gained by BMW - which credited an appearance of its US-built Z3 in *Goldeneye*, the latest James Bond film, with getting the roadster's launch off the mark at speed.

This week it is also expected to unveil an advertising campaign for the vehicle based on its screen role, which will pro-

mote both the car and the film.

Such cross-promotional efforts - Apple Computer's PowerBook last year shared screen-time and magazine advertising spreads with *Tom Cruise in Mission: Impossible* - are increasingly the norm.

Mercedes, which is paying an undisclosed sum for its placement, is counting on building substantial market awareness for a \$40,000 plaything, which, it calculates, must succeed in the US - the world's biggest outlet for such vehicles - if it is to find a place on the world's roads.

The company, which declared in the early 1990s that high domestic production costs outweighed the cachet of the "Made in Germany" label, has gambled heavily on breaking late into the US sports utility trade, which currently sells more than 2m vehicles a year.

Its \$300m investment in the Tuscaloosa factory has already produced 650 highly-paid local jobs and drawn 10 component manufacturers to the city, bringing work for 1,200 more.

It has also given the citizens of Stuttgart, Daimler-Benz's base, an extra reason to queue up to see *The Lost World*.

Hammer exposé wins book prize

By Peter Martin in London

A book describing one of the world's best-known businessmen as a spy and a fraudster is the winner of the Financial Times/Book-Allan & Hamilton Global Business Book Awards. The overall winner of this year's awards, announced yesterday in New York, is *Desider: The Secret History of Armand Hammer* by Edward J. Epstein (published by Random House). It is also the winner of the award for Best Business Biography/Autobiography.

The winner of the award for Best Book about Strategy is *The Witch Doctors*, by John Micklethwait and Adrian Wooldridge (Helmemann) in which two journalists from *The Economist* examine current management theories.

The Best Business How-To

Adam Smith's *Wealth of Nations* is recognised as historic influence

Book is *Designing Business*, by Clement Mok (Macmillan Computer Publishing), which offers thoughts on design for the multimedia world.

In the category for books of industry analysis and business context, the winner is *Vale verso la Cina* by Maria Weber (Edizioni Olivares). This Italian book offers a guide to doing business in China.

The Best Current Business Narrative is *Hill & Run* by Nancy Griffin and Kim Masters (Simon & Schuster). Subtitled *How John Peters and Peter Guber took Sony for a Ride in Hollywood*, this book covers the Japanese company's painful purchase of Columbia

Pictures. The judges were chaired by Mr Don Perkins, former chairman and chief executive of Jewel Companies. For the first time, they awarded the Judges Prize to a book which had a historic influence on business. It went to *The Wealth of Nations*, by Adam Smith, first published in 1776.

The Edwin G. Booz prize, given by Booz-Allen & Hamilton to the most innovative or insightful business book of the year, was awarded to *Against the Gods: The Remarkable Story of Risk* by Peter Bernstein (John Wiley & Sons).

The Lex prize, given by the Financial Times to the best

business history, was awarded to *Ashes to Ashes* by Richard Kluger (Alfred A. Knopf), a history of the tobacco industry.

Other judges were: Mr John Baker, chairman, National Power; Mr Antonio Borges, dean, Insead; Mr Kazuo Chiba, former Japanese ambassador to the UK; Mr Brian Dickie, president and chief operating officer, Booz-Allen & Hamilton; Mr David Finn, chief executive, Ruder Finn; Mr Piero Gardia, undersecretary, ministry of the Treasury, Italy; Mr Richard Lambert, editor, Financial Times; Mr Francis Lenz, professor, Paris-Dauphine University; Mr John McCarter, president and chief executive, the Field Museum of Natural History; Mr Rafael Paez, former chief executive, Grupo ALFA.

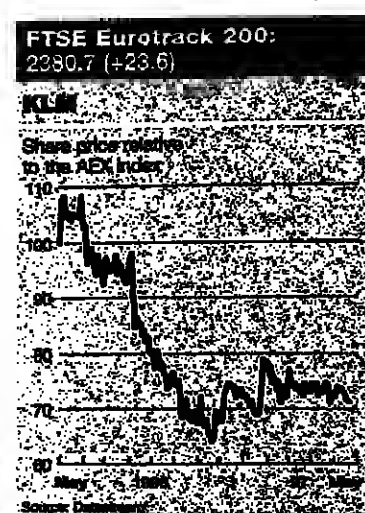
THE LEX COLUMN

Chemical attraction

A cash-rich utility on the acquisition trail is normally a recipe for trouble. In the case of Veba, the diversified German power and industrial group, this would be too harsh a verdict. Shareholders have benefited handsomely from the company's restructuring and cost-cutting efforts. Still, the 36 per cent stake it has taken in Degussa inevitably introduces a frisson of concern. The company has now entered the riskier phase of acquisitions and international expansion.

Certainly, the 36 per cent stake in Degussa is a good start. Restructuring in the global specialty chemicals business is proceeding apace and the tie-up gives both companies a better chance of dining at the top table. It also helps internationalise Veba's earnings, while reducing the cyclical risk of its own chemicals division. The price of 16 times 1996 estimated earnings is slightly above average, though product and management fit probably justify the premium.

But what next? The danger is that acquisitions without disposals will produce a lumbering conglomerate. Veba has shown it can mind the shop, but has yet to convince that it knows how to build the business. Applauding a chemicals acquisition is easy - it is the area where Veba has achieved considerable success. But investors may be less enthusiastic about acquisitions in oil or trading and transport. To allay their fears, Veba's management should insist that peripheral Degussa businesses like metals trading and pharmaceuticals are swiftly got rid of.



gap. And there is energetic restructuring under way. The snag, inevitably, is that KLM's competitors are all doing much the same. So much of the time, KLM will just be running hard to stand still.

But just as tricky will be to find the airline a better fit in the industry's fast-forming web of international alliances. There are high hopes that the new chief executive will prove better placed, personally, to get KLM's existing alliance with Northwest Airlines back on the rails. But even if he succeeds, a KLM-Northwest partnership lacks the clout of the networks some of their rivals are cooking up. And the list of potential add-on partners is shrinking fast.

Celltech

New drugs are destined to fail - of 10 products that go into clinical trials perhaps one makes it to the market. The whole point about the biotechnology industry is that it takes huge risks in pursuit of that tremendous pay-off. The failure of Celltech's septic shock treatment is therefore nothing out of the ordinary. But that did not prevent septic shock in the stock market, which knocked nearly 50 per cent off Celltech's shares yesterday even though this drug accounted for at most 30 per cent of the company's value. If that was the price of reminding investors of the perils of backing biotech, it was probably worth it - though that is of little help to Celltech.

The group can draw some comfort, however, from the fact that septic shock is notoriously difficult to treat. Three other companies have so far failed to come up with

workable medicines. Celltech has a decent pipeline, with potential treatments for leukaemia, Crohn's disease and various cancers to fall back on. And this incident proves that its strategy of signing up bigger collaborators limits the financial downside. While its partner, Bayer, splashed out over £100m developing the septic shock treatment, Celltech did not spend a penny and still has £41m in the bank. The drawback is that it had no control over the timing of such a damaging announcement.

There is comfort for investors too; both British Biotech and Cantab Pharmaceuticals have seen their lead products fail, only to bounce back from the dead.

Bass

Bass's shares have been drifting lower on fears that an obdurate Labour government will block its bid to gain 35 per cent of the British beer market by buying Carlsberg-Tetley. Given C-T's recent performance, however, investors should be relaxed at the prospect of dropping the leading brewer. C-T's profits fell 25 per cent in the first half. And the way it is going, Bass would get the benefits of consolidation in the brewing sector even if its deal were blocked. Bass's shares may drift until C-T is resolved, but unless Bass makes ridiculous concessions to get it done, the outcome should be positive.

Nonetheless, C-T sets a nervous tone for the deal-making abilities of a group which is set to do a lot of deals. In hotels, a slowing in the build-up of new franchisees in the US is holding back growth. This puts more pressure on Bass to deliver its strategy of expanding in continental Europe and Asia. Crown Plaza is demonstrably not the brand to do this, so Bass will be searching for something like Grandada's Meridien. By contrast, one of the brightest points of the portfolio was its betting business, Coral, and this will tempt Bass to foot a bill of up to £500m for William Hill, which is back on the market.

Bass could happily spend £1.5bn without looking stretched. And while the current discount price-earnings ratio suggests concern that it may not invest wisely, Bass is at least in business segments which offer scope for profitable growth through acquisition.

Additional Lex note on Pilkington, Page 20

Brazil to retire Brady bonds

Continued from Page 1

cent to more than 66 per cent of their face value in New York morning trading. J.P. Morgan's emerging market bond index also rallied with average yield spreads narrowing by about a quarter of a point to 4.19 percentage points over US Treasury bonds.

Brazil's 30-year global offer-

ing - its longest bond maturity to date - will be underwritten by J.P. Morgan and Goldman Sachs. Traders say the transaction could reach as much as \$5bn depending on investor interest and will give a fillip to Brazil's status in the conventional market for Eurobonds.

"Brazil has been talking about this move for at least a year," said Mr Jerome Booth,

director at ANZ Bank in London. "The whole exercise is designed to boost Brazil's creditworthiness with the international financial community."

Traders said the timing of Brazil's announcement was probably influenced by the US Federal Reserve's decision at its meeting on Tuesday to leave US interest rates unchanged.

Russia

Continued from Page 1

tax, and improving excise collection on alcohol sales. The government can also cut spending as it deems necessary, even if parliament votes down its sequestration bill tomorrow.

In practice, parliament has little power to force the government to stick to its budget plans.

FT WEATHER GUIDE

Europe today

It will remain cloudy with rainy periods in Ireland, Wales and Germany. The band of cloud and rain will stretch east into Poland, the Baltic states and the Ukraine. Showers will also develop in and around the Alps. Thunderstorms are expected in Hungary, the Balkans and southern Italy. This disturbance will bring scattered cloud to parts of south-eastern Europe, but it will remain dry and warm. Western Benelux and western France will become sunny, although showers will develop inland. The Iberian peninsula and Italy will stay dry with sunny periods.

Five-day forecast

High pressure will develop over north-western Europe bringing sun to the UK, the Benelux and Germany. Showers will continue in Poland and the Alpine countries. South-east Europe will have thundery showers at the weekend.

TODAY'S TEMPERATURES

Location	Max	Min
Abu Dhabi	30	24
Accra	31	24
Algiers	24	14
Amsterdam	13	10
Athens	28	18
Atlanta	27	18
B. Aires	11	8
Birmingham	15	10
Bombay	35	25
Brussels	16	10
Buenos Aires	21	14
Calcutta	31	24
Cairo	32	20
Cape Town	21	14
Caracas	31	24
Cardiff	13	10
Casablanca	21	14
Chicago	15	10
Cologne	15	10
Dakar	27	18
Dallas	29	18
Dar es Salaam	30	24
Dubai	36	24
Dublin	11	8
Dubrovnik	23	14
Edinburgh	11	8
Faro	31	24
Frankfurt	18	13
Geneva	18	13
Gibraltar	25	18
Glasgow	15	10
Hamburg	17	12
Helsinki	20	15
Hong Kong	30	24
Honolulu	30	24
Istanbul	28	18
Jakarta	32	24
Jersey	13	10
Karachi	37	24
Kuwait	40	28
Las Palmas	24	18
Lima	28	18
Lisbon	21	14
London	16	10
Luxembourg	18	13
Lyon	18	13
Madras	32	24
Madrid	22	15
Manila	30	24
Maracaibo	30	24
Melbourne	18	13
Mexico City	31	24
Miami	31	24
Milan	21	16
Montreal	28	18
Moscow	17	12
Munich	18	13
Nairobi	30	24
Nagasaki	23	18
Nassau	24	18
New York	24	18
Nice	28	18
Nicosia	30	24
Osaka	28	18
Paris	18	13
Perth	18	13
Prague	18	13
Rangoon	33	24
Riyadh	34	24
Rio	27	18
Rome	25	18
S. Francisco	20	15
Seoul	22	17
Singapore	31	24
Stockholm	12	8
Strasbourg	19	14
Sydney	18	13
Taipei	28	18
Tel Aviv	28	18
Toronto	18	13
Tokyo	28	18
Verona	18	13
Vancouver	18	13
Vienna	20	15
Warsaw	18	13
Washington	20	15
Wellington	14	9
Winnipeg	15	10
Zurich	15	10

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

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Thursday May 22 1997

Week 21

HENRY BUTCHER
International
Asset Consultants
0171 405 8411

IN BRIEF

Coffee prices to remain at peak

The rally in coffee prices continued after the Association of Coffee Producing Countries decided to maintain export quotas for a further year. Prices had slipped from last week's 20-year high on hopes that the ACPC would increase its quotas. Page 24

Share price slump worries AT&T chief
Mr Robert Allen, chairman of AT&T, told the US telecommunications company's shareholders that its flagging stock price had become his main concern. The stock has fallen to \$34 from \$41 at the start of January. Page 16

Postbank warns on timing of flotation
Deutsche Postbank, the German postal savings bank due for privatisation, warned that the government would have to move quickly to complete arrangements for a stock market listing this year. Page 17

Televisa plans \$80m cost savings
Televisa, the dominant group in Mexico's media sector, plans to save \$80m a year over the next three years in an attempt to placate concerns about new management. Page 16

JR West posts \$541.9m profit
West Japan Railway, the second of six railway companies formed through the break-up of the Japanese National Railway group in 1987, has reported consolidated recurring profit up 0.2 per cent at ¥61.6bn (\$541.9m). Page 19

Pilkington chief executive ousted
Mr Roger Leverton, chief executive of Pilkington, the UK-based glassmaker, was abruptly ousted in a boardroom coup engineered by the company's chairman. Page 20

Swiss group plans 'personal' CDs
CD World Corporation, a Geneva-based technology group, has taken an important step towards launching a CD digital network that can produce personalised compilation albums. Page 17

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Chief price changes yesterday

FRANKFURT (DEM)		PARIS (FFR)	
Rhine	1530 + 115	Oréal	216.0 + 8.4
Deutsche	64.8 + 3.8	Packaging Int'l	97.0 + 4.0
Heidelberg	160 + 9	Sopale Int'l	68.0 + 2.0
SAP AG	316.1 + 8.0	Pharm	128.0 + 4.0
Vag	180 + 22	Bayer	732 + 17
Pharm	128.0 + 4.0	Labord	128.0 + 4.0
Telecom	27.55 + 4.45	Sch	208.0 + 8.8
LONDON (Pence)		TOKYO (Yen)	
Rhine	1530 + 115	Oréal	216.0 + 8.4
Deutsche	64.8 + 3.8	Packaging Int'l	97.0 + 4.0
Heidelberg	160 + 9	Sopale Int'l	68.0 + 2.0
SAP AG	316.1 + 8.0	Pharm	128.0 + 4.0
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LONDON (Pence)		TOKYO (Yen)	
Rhine	1530 + 115	Oréal	216.0 + 8.4
Deutsche	64.8 + 3.8	Packaging Int'l	97.0 + 4.0
Heidelberg	160 + 9	Sopale Int'l	68.0 + 2.0
SAP AG	316.1 + 8.0	Pharm	128.0 + 4.0
Vag	180 + 22	Bayer	732 + 17
Pharm	128.0 + 4.0	Labord	128.0 + 4.0
Telecom	27.55 + 4.45	Sch	208.0 + 8.8

Veba takes stake in Degussa to bolster chemicals operations

Power group pays DM2.9bn for 36% holding in fellow German company

By Ralph Atkins in Düsseldorf

Veba, the Düsseldorf-based power and industrial group, yesterday bolstered its chemical activities against mounting competition by paying DM2.9bn (\$1.7bn) for a 36.4 per cent stake in Degussa, the Frankfurt-based international chemicals concern.

Mr Ulrich Hartmann, Veba chairman, said the deal paved the way for wide-ranging co-operation between the businesses. It makes Veba the largest shareholder in Degussa by far, and reflects the Düsseldorf group's desire to expand across a broad front, including further acquisitions.

The Veba conglomerate - which supplies about a fifth of Germany's electricity - is planning a New York Stock Exchange debut in October and is pushing into telecommunications.

Mr Hartmann said globalisation meant chemical companies had to take "leading market positions" and Veba's chemicals division, Hils, had been in danger of being left

behind. He did not rule out Veba increasing its holding in Degussa, but said: "We think this is a reasonable stake to achieve our objectives."

Veba, which previously had no holding in Degussa, has agreed to maintain it as a listed company and continue the business strategy set out by Mr Uwe Ernst Bufe, Degussa's chairman.

The 36.4 per cent stake was acquired by buying Gesellschaft für Chemiewerte (GFC), a company previously owned by Haniel, the chemicals group, Dresdner Bank and reinsurance group Munich Re.

GFC counted on usually having a majority of those present at Degussa shareholders' meetings, giving it virtual control over the group.

Veba paid DM6.6 a share, a premium of more than 10 per cent over Tuesday's closing price. The positive reception for the deal spurred Degussa's shares to close DM6.80 - or 8.91 per cent - higher last night at DM83.10. Veba edged up 98 pfennings to DM99.50.

Contacts between Veba and

Degussa have been informal so far, but Mr Hartmann said discussions would now start on co-operative ventures, including site sharing.

A Veba representative is likely to be appointed to Degussa's supervisory board and Veba expects cost savings to be "quite substantial".

But with a relatively small overlap between the businesses, the prime motive was the scope for securing dominant market positions in Degussa's areas of strength, including oxygen products and carbon black for car tyres.

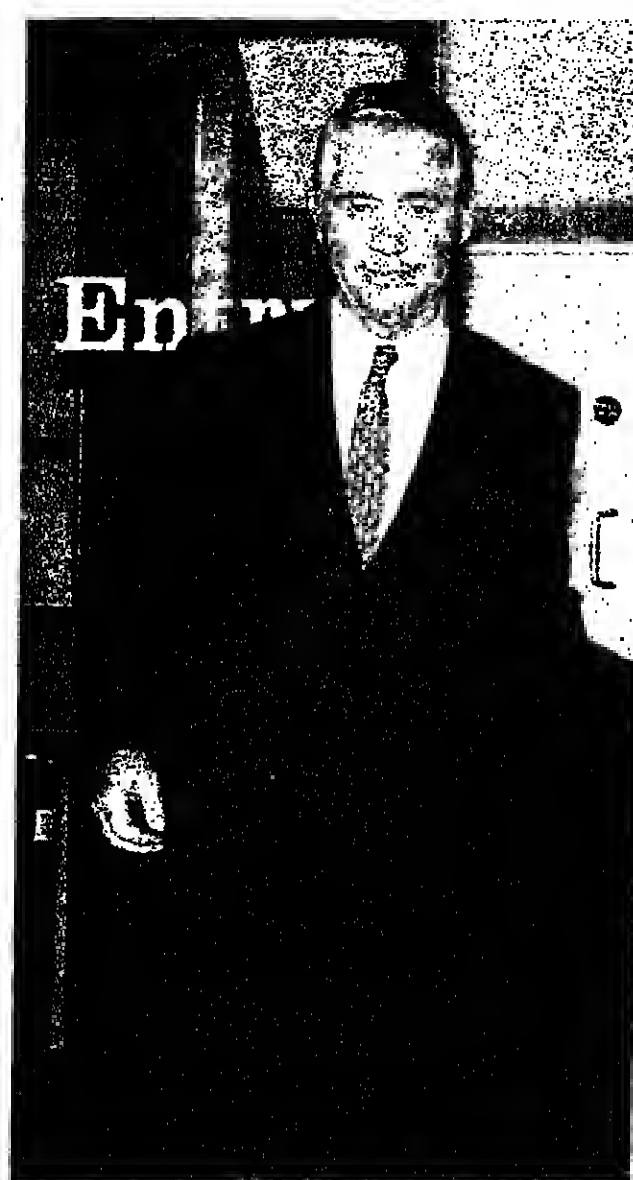
In the 1995-96 financial year, Degussa's pre-tax profits reached DM413m and are expected by analysts to almost double by 1999-99.

Turnover in 1995-96 was DM13.79bn. Besides chemicals, Degussa also has interests in precious metals and banking.

Veba's Hils division had sales of DM10.3bn in 1996 but earnings slipped as cost savings were eroded.

Lex, Page 14

World stocks, Page 34



Ulrich Hartmann, Veba chairman, welcomed increased co-operation with chemicals concern Degussa. Picture: Brandon Cox

Fidelity to offer direct-sale life cover

By John Authers in New York

Fidelity Investments, the largest US fund manager, is launching an ambitious attempt to sell life insurance direct to US consumers.

Its plan, part of the company's well-publicised determination to "leverage" its strong brand recognition in the US, is to sell term life insurance direct to customers over telephone lines and through its website.

The company, generally credited with transforming the US market for mutual funds by introducing aggressive mass-marketing techniques, believes it could have the same success mass-marketing life cover, which, like savings plans, is perceived to be a product which consumers do not buy unprompted.

Mr Farrell Dolan, vice president of the company's life insurance subsidiary, emphasised that Fidelity had no plans to make calls to investors. Market research suggested many consumers were deterred by the image of the life insurance industry, and by the need to spend time going through awkward paperwork with agents.

With less sales pressure and simplified literature, the company believes more customers, particularly those who already hold Fidelity mutual funds, will be prepared to buy life cover. The company also hopes to undercut rivals on price thanks to its lower distribution costs.

The decision also intensifies Fidelity's competition with Charles Schwab, the San Francisco-based discount broker, which already offers life insurance to its customers, although it uses external underwriters.

Schwab stole a march on its Boston-based rival in its core mutual fund business by launching its highly successful "marketplace" for funds, which allows investors to switch without cost between funds provided by several different companies. Fidelity has since launched its own marketplace.

Fidelity has had a life insurance company since 1987, but until now it has only offered life cover as part of investment products, including variable and income annuities, and protection for long-term savings plans.

Lex, Page 14

Editorial Comment, Page 13

Profits at Toyota lifted by currency weakness

By Michio Nakamoto in Tokyo

Toyota, Japan's largest carmaker, lifted net profits 50 per cent to ¥385.5bn (\$3.29bn) in the year to March, helped by the weaker yen, cost cuts and a range of new recreational vehicles.

The company, which said it would offer directors stock options for the first time, nearly doubled its operating profits to ¥665.1bn from ¥348.1bn. Consolidated sales rose 14 per cent to ¥12,243bn and recurring income surged 65 per cent to ¥706.5bn.

The better performance was supported by the yen's weakness against the US dollar in particular, which contributed ¥240bn to operating profits. Cost cutting boosted results by a further ¥110bn while increased sales brought in ¥30bn at the operating level.

Toyota, which launched 11 models at home including five recreational vehicles, increased sales in its main markets. In Japan, new models such as the Ipsum, a station wagon launched last May, contributed to a 9 per cent increase in sales.

Exports were buoyed by the weaker yen and rose 12 per cent during the year. Sales in Europe rose 14 per cent thanks to the popularity of the RAV4 sports utility vehicle and the Picnic station wagon.

In North America, the company enjoyed a 10 per cent increase in sales after firm demand for the remodelled Camry sedan.

Toyota expects slower growth of parent pre-tax profits for this year. Sales are forecast to slow to ¥8,000bn from ¥9,104bn last year, but recurring profits are forecast to rise to ¥630bn from ¥520.4bn. Net profit will also rise to ¥380bn from ¥348.1bn.

Toyota has turned itself around sharply after profits sank in 1994 to their lowest level in 12 years. The recovery owes much to the reversal in the yen's strength against the US dollar, although the company yesterday also attributed it to group solidarity.

"Toyota is a company that is strong in the face of a crisis," said Mr Akira Yokoi, executive vice-president.

● Daihatsu, a subsidiary of Toyota which makes small cars, posted a strong rise in profits after firm demand for its multipurpose vehicles. Sales rose 18 per cent to ¥787.5bn and recurring profits nearly doubled to a record ¥19.4bn.

Collective effort, Page 19

Blow to UK biotech industry as Celltech scraps blood drug

By Roger Taylor in London

The UK's fledgling biotechnology industry suffered a setback yesterday when Celltech announced that its treatment for septic shock - a reaction to blood poisoning - was being dropped after disappointing trial results.

Celltech's shares almost halved in value, from 600p to 341p, and confidence in the whole sector was shaken.

Mr Peter Fellner, chief executive of Celltech, one of the leading companies in the field, said: "This is extremely disappointing and unexpected."

The news hit other biotechnology shares which fell sharply at the start of the day, although many recovered.

Worst hit were Cantab Pharmaceuticals, down 47p at 917p, PPL Therapeutics, down 15p at 407p, and Scotia Holdings, down 10p at 392p.

(The FTSE All-Share index ended the day up 13 at 2,209.21.)

Some brokers said the news was an important antidote to over-enthusiasm in an industry driven by optimism.

Mr Nick Woolf of Nomura said: "This is a dose of realism. Investors need to take on board that drugs can fall even at the last stage. We are likely to see more of these."

Others warned that the news would make investors more reluctant to back new biotechnology companies.

Ms Jane Fiskin of Kleinwort

Bensoo said: "Inevitably this will make it harder for other companies trying to come to the stock market."

There is no effective treatment for septic shock, a severe reaction to blood poisoning which often follows surgery.

It kills more than 200,000 people a year in the US and Europe. Analysts had forecast annual sales of up to \$500m from the product.

Bayer, the German pharmaceutical company developing the product with Celltech, said it was stopping any future work in the area. It had invested \$150m on the product.

Bayer said: "This has been an expensive failure. It is a great pity we cannot develop a treatment which would have helped many people."

Bayer was developing two septic shock therapies in collaboration with Celltech: BAYX-1351 or Norasept, and a more advanced version called CDP 571.

BAYX-1351 was tested on 2,000 people in the US. Initial data released last year indicated a drop in mortality rates but further analysis has found the effect to be insignificant.

Mr Fellner said that Celltech did not now expect to start earning revenues until 1999.

Several other septic shock products, developed by US biotech companies, have already failed in clinical trials.

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JCI chairman confident of Lonrho merger

Agreement would result in \$3.2bn global mining group

By Roger Matthews in Johannesburg

Mr Mzi Khumalo, chairman of JCI, South Africa's first black-controlled mining house, yesterday said he was confident of reaching an agreement "pretty soon" to merge with Lonrho, the UK-listed conglomerate.

The talks could lead to the creation of a \$2bn (\$3.2bn) group with interests covering gold, coal and platinum.

Mr Khumalo, who flew back to Johannesburg yesterday, said he would return to London on Monday for what he hopes will be final talks. "JCI wants a broad agreement pretty soon. After that we can handle the detailed, technical work," he said.

Lonrho declined to comment. The conglomerate believes there may be commercial advantages to combining its mining operations with those of JCI. But advisers say it will be difficult to persuade JCI and Anglo American, the South African mining house seen in some quarters as an important influence behind the talks, of the values Lonrho attaches to assets.

Mr Khumalo said he had made the initial approach to Lonrho.

"When it became clear that the European Union would not allow Anglo American to maintain its 27 per cent stake in Lonrho, I knew it was open season and that JCI had to make its move," he said. The European Commission has

ordered Anglo to cut its stake to 9.99 per cent to prevent excessive concentration in the global platinum industry.

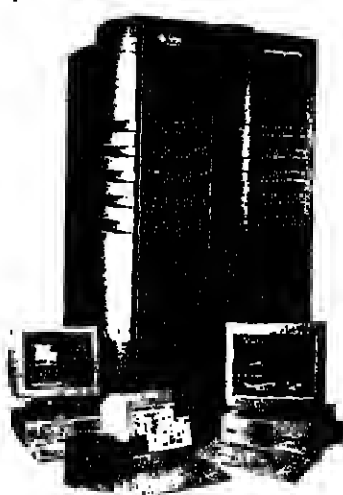
Anglo supports the JCI plan, and hopes in return for selling its stake in the UK conglomerate to get Lonrho's holding in Ashanti Goldfields of Ghana, valued at about \$400m. "A lot of people have focused on the possible Ashanti aspect of the merger, saying that Anglo would be the big beneficiary," said Mr Khumalo. "Perhaps for some companies Ashanti would be a big prize, but not for us. We have excellent quality gold assets and will be the biggest gold producer in the world, even without Ashanti."

Mr Khumalo is also confident he can resolve the claim by Genor, South Africa's second-largest mining house, to have the first right to acquire Lonrho's platinum interests in the event of a change of control of the conglomerate.

"I have had talks with Brian Gilbertson, the chief executive of Genor. I think we can reach an agreement with him whereby he sells us his stake, or waives his pre-emptive rights," said Mr Khumalo. "And it is our intention eventually to float our platinum interests separately."

That ambition squares neatly with the goal of Mr Nicholas Morrell, Lonrho chief executive, to buy out Genor's interest in the platinum business.

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COMPANIES AND FINANCE: THE AMERICAS

Televisa boosted by cost-cutting plan

By Daniel Dombey
in Mexico City

Televisa, the dominant group in Mexico's media sector, yesterday announced a three-year cost saving plan to placate concerns about the group's new management.

The group, which aims to save \$90m a year for the next three years, also set goals of increasing its cash-flow margin to more than 25 per cent - 10 percentage

points more than current levels - making sure that dollar revenues exceeded dollar expenditures and improving its performance in both terrestrial and direct-to-home television.

The plan follows concerns about Televisa's new chief executive, 29-year-old Mr Emilio Azcárraga Jean. Televisa's former chief executive, Mr Emilio Azcárraga Milmo, who had led the company for a quarter of a century, died in April, only a month after

handing over to his son. Partly because of the succession, Televisa's stock has dropped 0.3 per cent so far this year, while the leading Mexican index has risen 17 per cent.

After the announcements yesterday, however, the company's American Depository Receipts were up 1 1/4 at 32 3/4.

"The management is clearly committed to this plan," said Ms Maria Marron at ING Barings in New York.

"Their own financial situation is tied to the stock performance so it is very important to them that it improves."

Televisa, which sees itself as a production rather than media group, is placing most emphasis on controlling costs. Its cash flow is highly volatile, and substantial fixed costs, often dollar-linked, mean that profits can drop with only a slight drop in sales.

The group has already

sacked some executives, and plans to give stock options rather than rises, reduce overtime payments and introduce performance-related pay. The staff cuts will largely be responsible for a one-off charge of \$90m. Other measures include reducing rental costs and cutting back on promotional expenses.

Debt of \$385m will be cut by \$100m, using some of the proceeds from its \$650m sale of part of its stake in Fan-

AmSat, the satellite operator. Televisa estimates interest costs this year at between \$135m and \$145m, compared with \$245m last year.

But it was less forthcoming on how it would increase sales. Its Sky DTH service is widely perceived to be lagging behind rival Galaxy Latin America, and its terrestrial channels have been losing viewers to Television Azteca for more than two years.

AMERICAS NEWS DIGEST

CTC in merger talks with VTR

CTC, Chile's main domestic telephone service, is in merger talks with the smaller phone and cable TV operator, VTR, jointly owned by the Lukic group and Southwestern Bell, the US telecoms company. No details have been made public, but VTR, which is not publicly traded, has an estimated value of \$600m-\$1bn. The Lukic group and SBCI would retain a seat on the board and a stake in the new enterprise. CTC has a market value of \$6.4bn.

One stumbling block, however, is an agreement between CTC and the Claro group, who are joint partners in Metropolis-Intercom, the biggest cable TV network. The merger would also have to clear Chile's anti-monopoly commission: CTC's domestic network covers three-quarters of the country and 92 per cent of the population; VTR covers the two regions where CTC has an insignificant or nil presence. The new company would have total geographical coverage.

VTR had been planning to compete against CTC in downmarket Santiago for domestic users, with new technology which would allow it to add telephones to its cable TV lines. It was in partnership with Nortel, the Canadian equipment supplier, in what was to have been one of the biggest deployments yet of the new technology.

CTC and VTR went into partnership a year ago in their mobile phone services. CTC holds one of the two concessions for Santiago, while VTR has the rest of the country, so combining their operations and strengthening both against the introduction of countrywide PCS concessions which are due to come into operation some time this year.

Imogen Mark, Santiago

Intel lifts payout

Intel, the world's largest chipmaker, increased its quarterly stock dividend yesterday, adding one cent to the previous five cents a quarter payout. The move coincided with the company's annual shareholders' meeting, where shareholders were expected to approve a 2-for-1 stock split. This would reduce the post-split dividend to three cents a share.

Intel's shares were trading at 16 1/4 in mid session yesterday, up 2.4 per cent from Tuesday's close.

Louise Kehoe, San Francisco

Utilities in \$3bn merger

US utilities KU Energy and LG&E Energy are to merge in a deal valued at more than \$3bn. KU Energy shareholders will receive 1.67 LG&E common shares for each KU Energy common share. The transaction is expected to be marginally dilutive to earnings in the first year following the merger and accretive thereafter. The companies expect the transaction to be completed within 12 to 18 months.

AP-DJ, Kentucky

Wells Fargo chief to retire

Wells Fargo, the US bank, said Mr William Zuend, president, plans to retire later this year. Mr Zuend, 50, will retire from the board in July. Four vice-chairmen will form a newly created office of the chairman with Mr Paul Hazen, chairman.

AP-DJ, San Francisco

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Share slump worries AT&T

By Richard Waters in
Secaucus, New Jersey

Mr Robert Allen, chairman of AT&T, told the US telecommunications company's shareholders yesterday that its flagging stock price had become his main concern.

His comments at AT&T's annual meeting followed a continuing slump in the shares this year, at a time when the US stock market has climbed to new heights.

Mr Allen offered no short-term moves to get the stock price moving again, however. And he said that Wall Street was unlikely to change its view of the company until it began to show results from longer-term plans which were laid out earlier this year.

AT&T's shares were hit last year as it lost ground to

competitors in its core long-distance residential telephone business.

They have continued to drift lower this year, despite efforts by Mr Allen to persuade investors and analysts that it had got a grip on the problems.

By yesterday afternoon, the stock was trading at \$34, down from \$41 1/4 at the start of January.

Mr Allen said: "Stock price is their [shareholders'] one concern - and ours too."

Mr Allen also acknowledged that the company had made a mistake by getting dragged into a price war started by much smaller rivals. "We let ourselves get dangerously close to competing on price alone last year, and we paid the price," he said.

The AT&T chairman told

shareholders that the company planned to stick to its longer-term plans, which involve costly investments in local calling and other new markets.

He said this involved "a classic long term/short term trade-off", with lower profits this year and next in return for higher earnings growth later.

AT&T's struggles to maintain its dominant position in the US's long-distance calling market - where it still carries more than half of all calls - has prompted comparisons with the plight of IBM at the start of this decade.

Mr Allen brushed off such suggestions, arguing that last year's record earnings and a strong balance sheet, along with its plans for growth, left the company in

a much stronger position.

"This is not a company adrift, searching for some elusive silver bullet," he said.

AT&T executives also said yesterday that the company was in talks with various European telecoms carriers to strengthen its position in the region.

The company was hit by the defection of its Spanish partner, Telefonía, earlier this year.

"There's no question in any way that we're pulling out from our global platform," said Mr John Walter, who is due to succeed Mr Allen as chief executive at the end of this year.

"We are in discussions for many relationships in Europe. This is important - we have lots of options," he said.



Robert Allen: admitted his mistake in getting into price war

Dell shares jump 9% on strong first quarter

By Louise Kehoe in San Francisco

Dell Computer's shares jumped 9 per cent yesterday on news of the personal computer company's strong first-quarter earnings and sales.

In mid-session, Dell was at \$109, a gain of \$8 1/4 over Tuesday's close. Other PC manufacturers were also up strongly, as analysts viewed Dell's results as an indicator of industry growth. Compaq Computer gained \$4 1/4 to trade at \$101 1/4 in mid-session; IBM was up \$3 1/4 at \$177.

Dell, which reported after Tues-

day's close of trading, saw net income for the quarter ended May, its first fiscal quarter, jump 141 per cent. The Texas company, which specialises in direct sales via telephone and the Internet, was outpacing all competitors in the PC market, industry analysts said.

It has overtaken Packard Bell and Apple Computer to become the world's third largest PC company, after Compaq Computer and IBM, as measured in unit sales, according to International Data, a market research group.

Net income for the first quarter was \$193m, up from \$82m in the

same period last year. Earnings per share increased 157 per cent to \$1.03 a share, from 42 cents a share a year ago. Earnings were well above Wall Street projections of about 93 cents a share. Revenues were \$2.59bn, a 59 per cent increase over \$1.64bn in the same period last year.

The PC market grew at an estimated rate of 17 per cent for the year. Dell's first-quarter sales were up 64 per cent in the Americas, at \$1.7bn; 90 per cent in the Asia-Pacific region including Japan, where revenues reached \$199m; and 38 per cent in Europe to \$644m.

"We are clearly gaining market share at the expense of competitors," said Mr Mort Topfer, vice-chairman.

Dell has extended its direct sales onto the Internet enabling customers to purchase PCs online. Sales via the Internet were running at about \$1m a day and growing at about 15 per cent a month, said Mr Topfer. Dell expected about 50 per cent of its sales would be made via the Internet in two to three years, he added.

Large corporate accounts are Dell's stronghold, with sales to big companies and government agen-

cies accounting for 90 per cent of revenues in the US.

Dell has moved aggressively into the market for PC servers linked to corporate networks. Over the past year it has doubled its share of the world market for this segment. This summer, it plans to enter the computer workstation market with high-performance machines based on Intel's latest microprocessors.

Separately, Dell announced a 2-for-1 stock split, its second in the past eight months. The market value of Dell stock has more than doubled since the last split in November 1996.

Galileo floats to finance buys

By Richard Tomkins
in New York

Galileo International, one of the world's three big airline reservation systems, is to seek a stockmarket listing through a \$400m initial public offering, and will use the proceeds to help finance three acquisitions.

The biggest acquisition is Apollo Travel Services, which sells Galileo's services in the US, Mexico and the Caribbean. It will be bought for \$700m.

The other two are Galileo Nederland of the Netherlands, owned by KLM Royal Dutch Airlines, and Travisswiss of Switzerland, which is owned by Swissair.

Galileo is buying Apollo from UAL's United Airlines, which holds 77 per cent of the company's equity; US Airways, which holds a 21 per cent stake; and Air Canada, which holds 2 per cent. United, which stands to collect \$539m from the deal, said it was selling its stake to reinvest the proceeds in its core business.

Apollo, Galileo Nederland and Travisswiss are among the 43 companies around the world that have exclusive rights to operate the Galileo communications network and market Galileo's services on a local basis. Through these companies, Galileo - based in Rosemont, Illinois - supplies reserva-

tions services to travel agents at 36,000 locations worldwide.

Galileo is owned by a consortium of 11 US and European airlines. The biggest shareholder is United, which has a 38 per cent stake, but United said it had no plans to reduce its stake following the sale of Apollo.

The other members of the consortium are Aer Lingus, Air Canada, Alitalia, Austrian Airlines, British Airways, KLM, Olympic Airways, Swissair, TAP Air Portugal and US Airways.

Galileo's rivals are Europe's Amadeus system, owned by Lufthansa, Air France, Iberia and Continental Airlines, and the US-

based Sabre network, which, until recently, was wholly owned by AMR, the parent company of American Airlines.

Late last year AMR brought Sabre to the stock market through a \$545.4m offering and retained an 82.3 per cent holding in the company.

Airline reservation systems have often been criticised for presenting information in a way that tends to favour the airlines that own them to the detriment of smaller carriers and low-cost operators.

This was one factor behind behind AMR's decision to give Sabre a degree of independence.

Tyco buys valve maker for \$1.2bn

By Tracy Corrigan
in New York

Tyco International, the US industrial group, bagged the latest in a series of acquisitions yesterday, buying Keystone International, an industrial valve manufacturer, for \$1.2bn.

The deal creates the world's largest valve company. Mr Dennis Kozlowski, Tyco chairman and chief executive, said it reinforced the company's strategy of building its global presence in "high value, stable industries" and would provide "immediate positive earnings and strong long-term growth potential".

Keystone has annual revenues of about \$700m and manufactures industrial valves used to control the flow of liquids, gases and solids in the chemical, oil, food and drink and other industries.

The deal is Tyco's fourth big acquisition in two months, according to Mr Michael Jaffe, an analyst at Standard & Poor's Equity Group. "But they seem to have a very savvy management team and they have carried [other acquisitions] out well in the last few years."

Other purchases by Tyco include ADT, the electronic security systems company

which will become part of Tyco's Fire and Safety Services group - its biggest deal to date; AT&T Submarine Systems, a fibre-optic telecommunications cable company, which is being integrated into Tyco's Electrical and Electronic Components group; and Inbrand, which manufactures incontinence and feminine hygiene products, acquired by Tyco's Disposable and Specialty Products business.

Tyco said it had made more than 60 acquisitions in the past four years and more would follow, although not immediately of the same size as the recent deals.

The acquisitions "fit across our four business segments. Our company is very decentralised and the operating people responsible for integrating the acquisitions are different people".

Keystone shareholders will receive 0.54183 shares of Tyco stock for each Keystone share under the definite merger agreement, although the ratio can change under an agreed formula if the share price moves outside a specified range.

The deal values Keystone at \$34 a share, based on Tyco's Monday close of \$62 1/4. Following the announcement, Keystone shares rose \$10 1/2 to \$72 1/2. Tyco's shares fell 1 1/4 to \$61 1/4.

Household Intl in \$1.1bn purchase

By John Authers
in New York

Streamlining in the US retail financial services continued yesterday as Household International, the largest US consumer lender, agreed to buy Transamerica's consumer lending operations for \$1.1bn.

Both companies had historically been broadly based financial conglomerates, and the move reflects attempts by both to focus on core businesses.

Household International, based near Chicago, is one of the largest US credit card issuers. It launched Visa and MasterCard cards in conjunction with several large companies, including General Motors.

However, the recent record levels of personal bankruptcies have increased debt for specialist credit card lenders, which have generally increased their efforts to issue new cards while conventional banks have diminished their sales campaigns.

The acquisition strongly diminishes Household's reliance on unsecured credit card loans and means that a higher proportion of its portfolio will be backed by property.

It also allows Household to expand its branch net-

working in an area where it is seeing increasing competition from mainstream commercial banks.

The businesses it has bought, which had a book value of \$487m, include a network of 420 branch offices in 44 states, all of which will operate under Household's HFC brand. The total outstanding loans changing hands in the transaction are about \$8.6bn, most secured by property.

Standard & Poor's, the rating agency, which reaffirmed its ratings for Household, said the acquisition also provided the company with opportunities to cut costs, as well as giving it a more balanced portfolio.

Transamerica announced two months ago that it was looking to sell its consumer finance operation as part of a restructuring. It will use the funds to pay down debt and to buy back 6m of its own shares.

The business had been troubled by bad debts, with operating income of only \$28.5m last year, against \$82.5m in 1996, due mainly to special loss provisions of \$72m.

The deal received a lukewarm reception on the markets. By mid-session, Household had gained only 3/4 to \$92 1/4, roughly in line with the market. Transamerica had fallen 3/4 to \$87 at the close.

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COS AND FINANCE: EUROPE

Postbank warns on timing of flotation

By Peter Norman in Bonn

Deutsche Postbank, the German postal savings bank due for privatisation, yesterday warned it was almost too late to complete arrangements for a stock market listing this year.

Mr Joachim Sperber, board member responsible for finance, said yesterday Postbank was "fit for going public". But he warned that the government would have to move quickly if the flotation were to be completed by the end of 1997.

"By normal standards the point for starting on a stock exchange listing this year has already been passed," he said.

The state-owned bank recently ended a protracted feud with Deutsche Post by agreeing financial terms for using post office counters.

The bank estimated that the 75 per cent of its capital

due to be sold was worth between DM8.4bn and DM4bn (\$2.01bn-\$2.36bn) - more than the DM3bn estimated recently by Mr Wolfgang Blösch, post and telecommunications minister.

Mr Sperber yesterday forecast a 1997 net profit "markedly higher than DM300m".

Postbank has begun talks with potential partners which will help it develop its services in return for equity stakes. The first of these will be a link-up with BHW, the housing finance group.

Postbank will then seek a partner in the insurance sector. Among contenders is the Volksfürsorge group. Mr Sperber confirmed that BHF-Bank was no longer a likely partner because Postbank had decided to develop its own investment business.

Reviewing last year's results, Mr Sperber said assets rose 7.6 per cent to DM107bn and so topped the

DM100bn level for the first time. Operating profit after creation and liquidation of normal provisions rose 31.6 per cent to DM308m. Mr Sperber forecast a further rise of at least 10 per cent this year.

Postbank's personnel costs fell DM284m, or 19.2 per cent, to DM1.5bn last year, reflecting a staff reduction of 1,446, or 8.9 per cent, to 14,778. Mr Sperber warned that the pace of staff cuts would slow because 80 per cent of the bank's remaining staff had the protected status of government officials.

Mr Volker Mai, board member responsible for personnel, said the bank had a "staff overhang" of 600 but it was exploring ways of using this excess usefully.

As forecast, Postbank yesterday disclosed a 1996 net loss of DM1.28bn, following net earnings of DM228m the year before.

BZW to prepare airports sell-off

Peter Wise in Lisbon

Portugal has appointed an international consortium, including investment bank Barclays de Zoete Wedd, to prepare the privatisation of Aeroporos e Navegação Aérea, which owns the country's nine main airports.

Up to 49 per cent of Ana, whose airports handled almost 13m passengers in 1996, will be sold next year. The government is expected to sell the group through a global equity offering, but could opt for a negotiated sale to an airport operator.

BZW, BPE-Servicos Financieiros, part of the Banco Português de Investimento group, and Coopers & Lybrand will advise on strategy and value.

A second consortium - Union Bank of Switzerland, Lehman Brothers and Portugal's Banco Cif - will make a separate valuation.

Ana, whose total revenue last year was \$643.4bn (\$264m), is responsible for air traffic control, air transport regulation and commercial airport operations.

Only the commercial operation will be privatised, after the group is split into three. BZW and its partners will draw up a plan for restructuring Ana and selling part of the airport operating company that emerges from the reorganisation.

Ana's net consolidated profits rose 16.5 per cent in 1996 to \$87.2bn.

Swiss CD group nears launch of 'personal' discs

By Alice Rawsthorn

CD World Corporation, a Geneva-based technology company, has taken an important step towards launching a CD digital network that can produce personalised compilation albums.

CD World has secured an agreement with Suissa, the society that represents the interests of music publishers and composers in Switzerland.

Suissa will negotiate on CD World's behalf with its counterparts in other countries.

The Suissa deal paves the way for the launch early next year of a network of Music Point units, or computer terminals, which will be installed in record stores, shopping centres and airports.

Each unit will be linked, through a digital network, to a central database containing up to 1m different songs.

Consumers will be able to select compilations of favourite songs of Music Point units, or computer terminals, which will be installed in record stores, shopping centres and airports.

The personalised compilations, which will be made up within four minutes at the Music Point units, will cost roughly the same as a normal CD album.

CD World has formed a joint venture with Hewlett-Packard to develop the

terminals, and has teamed up with IBM on the development of the database and network.

It now needs to secure copyright agreements with the record companies, which own the recording rights to the music in its database, and also with the collecting societies that control the publishers' and composers' rights in different countries.

Mr Marc Deschenaux, CD World president, said the company had already agreed terms with some record companies and was in advanced negotiations with others. He described the Suissa deal as extremely important, adding that CD World, helped by Suissa, should now be able to press ahead and secure similar agreements with other collecting societies.

If all goes well, CD World, which is already running its Music Point units in private trials, plans to introduce the venture on a commercial basis from January 1998. Mr Deschenaux said his goal was to have 10,000 terminals in operation within three years.

The news of the CD World accord comes at a time when developments in the digital distribution of music are accelerating. EMI, the UK music group, is in the final stage of negotiations to start selling its recordings on-line through a high-speed cable television pilot project in France.

Changed role for Count Marzotto

By Paul Betts in Milan

Count Pietro Marzotto is to step down from day-to-day management of the family-controlled Marzotto textiles and clothing group to concentrate on strategy as the company chairman.

The count told the company's annual meeting yesterday that the decision had nothing to do with the collapse earlier this month of the proposed merger between Marzotto and the HPI holding company, which would have formed one of Europe's largest textiles and clothing groups.

The company stressed that a management reshuffle had been planned before the link-up with HPI was abandoned.

Mr Jean de Jaeger, Marzotto deputy chairman, will be executive deputy chairman and will take over some of the responsibilities held by Count Marzotto. Mr Silvano Storzi, a former executive with the Benetton clothing and retailing group, has been appointed managing director.

Count Marzotto said the family continued to control 57.58 per cent of the group and remained united. Marzotto, founded in 1936, is one of Italy's oldest family-controlled companies.

Mr de Jaeger said group sales were expected to rise 4.5 per cent this year over 1996 sales of L2,225.4bn (\$1.33bn). Net profits were also expected to be above the L58.1bn reported in 1996.

Bell Helicopters buys into Romania

By Anatol Lieven in Bucharest

Bell Helicopters of the US yesterday agreed to pay \$25m for 70 per cent of IAR Ghimbav, the Romanian military aircraft manufacturer, in what is described as one of the biggest single western investments in the country.

It has also committed to spending another \$37m in new plant and upgraded production.

The deal forms part of the new Romanian government's privatisation programme.

private hands by the 2000. Negotiations for the deal, brokered by Merrill Lynch, have been held over several months in secrecy. Ghimbav's debts of around \$18m will be paid by the State Property Fund, which held the stake, out of the purchase price.

Romanian officials said the sale was the first foreign purchase of a company in the field of military industry and high technology.

Bell will use Ghimbav, situated in the Transylvanian city of Brasov, to produce

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to Submit (a) Offers to Exchange Par Bonds, Discount Bonds and C Bonds (collectively, "Brady Bonds") for Global Bonds, (b) Offers to Sell Par Bonds and Discount Bonds (collectively, "Collateralized Brady Bonds") for Cash and (c) Offers to Purchase Global Bonds for Cash

THE INVITATION AND WITHDRAWAL RIGHTS WILL EXPIRE AT 3:00 P.M. (NEW YORK CITY TIME) ON JUNE 3, 1997, UNLESS EXTENDED OR EARLIER TERMINATED.

The Federative Republic of Brazil (the "Republic") is inviting owners of Brady Bonds (each, a "Bondholder") and prospective investors in Global Bonds (each such Bondholder or prospective investor, a "Participant") to submit (a) one or more offers to exchange Brady Bonds for Global Bonds (each, an "Exchange Offer"), (b) one or more offers to sell Collateralized Brady Bonds to the Republic for cash (each, a "Tender for Cash Offer"), (c) one or more offers to purchase Global Bonds from the Republic for cash (each, a "New Cash Offer"), or (d) a combination of any of the foregoing (collectively, "Offers"), on the terms and subject to the conditions set forth in a Prospectus Supplement dated May 21, 1997, the Prospectus included therein and the related Letters of Transmittal (which together constitute the "Invitation"), copies of which may be obtained as described below.

Calculation of Exchange, Sale and Issue Prices. The principal amount of Global Bonds to be issued to Participants in exchange for each U.S.\$1,000 original principal amount of Brady Bonds exchanged pursuant to any accepted Exchange Offer will equal the quotient (rounded as described in the Invitation) of (a) the relevant Brady Bond Exchange Price (as defined below) divided by (b) the Global Bond Issue Price (as defined below). The price to be paid to Participants for each U.S.\$1,000 principal amount of Collateralized Brady Bonds sold pursuant to any accepted Tender for Cash Offer will equal the relevant Brady Bond Exchange Price. The price to be paid to Participants for each U.S.\$1,000 principal amount of Global Bonds purchased pursuant to any accepted New Cash Offer will equal the Global Bond Issue Price times U.S.\$1,000. Participants exchanging Brady Bonds for Global Bonds pursuant to any Exchange Offer or selling Collateralized Brady Bonds for cash pursuant to any Tender for Cash Offer will also be entitled to receive accrued but unpaid interest on their Par Bonds and Discount Bonds (or, with respect to the C Bonds, accrued but unpaid interest which is not by the terms of the C Bonds capitalizable as additional principal) to (but not including) the Settlement Date (as defined below) plus, in the case of an exchanging Participant, any amount payable as a result of rounding the aggregate principal amount of Global Bonds receivable by such Participant downward to the nearest U.S.\$1,000.

Global Bond Issue Price. The price per U.S.\$1,000,000 principal amount of Global Bonds (calculated and rounded as described in the Invitation) intended to result in a yield to maturity on the Settlement Date equal to the sum of (a) the UST Benchmark Rate (as defined below) for the Global Bonds on the last Trading Day (as defined below) preceding the Expiration Date (as defined below) and (b) the Clearing Spread (as defined below) determined pursuant to the modified Dutch auction process described herein (such sum, the "Global Bond Issue Yield").

Brady Bond Exchange Price for Par Bonds or C Bonds. The "Brady Bond Exchange Price" for the Par Bonds or the C Bonds, as the case may be, will be a price per U.S.\$1,000 original principal amount of Par Bonds or C Bonds, as the case may be (calculated and rounded as described in the Invitation), intended to result in a yield to maturity on the Settlement Date equal to the sum of (a) the UST Benchmark Rate for the Par Bonds or the C Bonds, as the case may be, on the last Trading Day preceding the Expiration Date and (b) 2.500%, in the case of the Par Bonds, or 4.600%, in the case of the C Bonds (such sum, the "Brady Bond Exchange Yield" for the Par Bonds or C Bonds, as the case may be).

Brady Bond Exchange Price for Discount Bonds. The "Brady Bond Exchange Price" for the Discount Bonds will be fixed at U.S.\$818.75 per U.S.\$1,000 principal amount.

As used herein, (a) "UST Benchmark Rate" for the Global Bonds, the Par Bonds or the C Bonds, as the case may be, on any date means the yield to maturity (calculated in accordance with standard market practices) corresponding to the bid-side price, as reported by the Center for Financial Research 3:00 P.M. Composite Quotation Service on such date, for (i) the U.S. Treasury 6.50% Bond due November 2028, in the case of the UST Benchmark Rate for the Global Bonds and the Par Bonds, and (ii) the U.S. Treasury 8.625% Bond due May 2007, in the case of the UST Benchmark Rate for the C Bonds, and (b) "Trading Day" means a day other than a Saturday, a Sunday or a day on which the New York Stock Exchange is not open for trading.

Dutch Auction Process; Acceptance of Offers; Priorities; Limits on Offers. A Participant submitting an Exchange Offer or New Cash Offer may either (a) submit such Offer as a "Competitive Offer" in which the Participant specifies a minimum spread higher than the Minimum Clearing Spread referred to below that such Participant would be willing to accept as a Clearing Spread (the "Offer Spread") or (b) submit such Offer as a "Noncompetitive Offer" in which the Participant does not specify any such minimum spread. The Republic reserves the right in its sole discretion not to accept any Offer or to accept any Offer, the Republic in its sole discretion will select a clearing spread to be used for determining the Global Bond Issue Price (the "Clearing Spread") and an aggregate principal amount of Global Bonds to be issued pursuant to the Invitation; provided, however, that the Clearing Spread may not be below 3.000% (the "Minimum Clearing Spread") and the aggregate principal amount of Global Bonds to be issued pursuant to the Invitation may not be less than U.S.\$1,000,000,000. Once the Clearing Spread is determined, the Republic will accept all properly submitted Exchange Offers and New Cash Offers which are Noncompetitive Offers or which specify spreads at or below the Clearing Spread and all properly submitted Tender for Cash Offers (in such case, subject to the provision rules, limits on Tender for Cash Offers and New Cash Offers and limits on Offers by the Dealer Managers described below). Each Participant whose Exchange Offer or New Cash Offer is accepted by the Republic will be entitled to the benefit of the Clearing Spread, even if such Participant offered a lower spread or made a Noncompetitive Offer.

The aggregate principal amount of Global Bonds issuable pursuant to the Invitation may not be less than U.S.\$1,000,000,000 nor more than the aggregate principal amount selected by the Republic as described above, and the aggregate principal amount of Global Bonds issuable pursuant to New Cash Offers (excluding Mandatory Dealer Manager Offers, as defined below) may not exceed 25% of the aggregate principal amount of Global Bonds issuable by the Republic pursuant to the Invitation. Moreover, the aggregate principal amount of Collateralized Brady Bonds to be purchased pursuant to Tender for Cash Offers may not exceed 25% of the aggregate principal amount of Collateralized Brady Bonds to be exchanged for Global Bonds pursuant to the Invitation. To the extent accepting Offers as described in the preceding paragraph would exceed the limits described in this paragraph, Offers will be subject to proration (at the Clearing Spread in the case of Exchange Offers and in order of decreasing Offer Spread in the case of New Cash Offers), as described more fully in the Invitation.

None of the Republic, Banco Central do Brasil, Banco do Brasil or any institution under the direct or indirect control of the Republic or any of its governmental agencies will be permitted to submit Offers (it being understood that regulation by Banco Central do Brasil does not constitute control).

The Dealer Managers may not submit any Competitive Offers and may not receive more than 20% in aggregate principal amount of the Global Bonds issuable pursuant to the Invitation. In certain circumstances described in the Invitation, the Republic will have the option to require the Dealer Managers to submit Noncompetitive Offers ("Mandatory Dealer Manager Offers") relating to up to U.S.\$200,000,000 in aggregate principal amount of Global Bonds to the extent necessary so that the aggregate principal amount of Global Bonds issuable pursuant to the Invitation would equal U.S.\$1,000,000,000.

Global Bonds. The Global Bonds will be direct, unsecured, general and unconditional obligations of the Republic. Each Global Bond will bear interest from the Settlement Date. The Republic shall, on or prior to the Announcement Date (as defined below), select an interest rate to be borne by the Global Bonds (the "Global Bond Coupon"); provided, however, that the Global Bond Coupon must be expressed as an increment of 1/4 of 1% and must result in a Global Bond Issue Price greater than U.S.\$0.92500 and less than or equal to U.S.\$1.00000. Interest on the Global Bonds will be payable semi-annually in arrears. The Global Bonds will mature on May 15, 2027 and will not be redeemable prior to maturity or entitled to the benefit of any sinking fund.

Procedures for Offering. A Participant desiring to submit an Offer must arrange for delivery to Morgan Guaranty Trust Company of New York, London, as Exchange Agent (the "Exchange Agent"), prior to the expiration of the Invitation. Any Letter of Transmittal, any Letter of Exchange Offer or Tender for Cash Offer must be completed by a direct account holder in the facilities of Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euroclear System ("Euroclear") or Cedel Bank, a subsidiary of Cedel Bank ("Cedel Bank") who has delivered Bond Instructions (as defined in the Invitation) to Euroclear or Cedel Bank, as the case may be. No Participant may submit a New Cash Offer unless it has a cash account with one or both of the Dealer Managers and the Offer is within the guidelines applicable to such account.

In no event should Letters of Transmittal or Brady Bonds be transmitted to the Dealer Managers, Banco Central do Brasil or any other agency of the Republic.

Term of Invitation, Termination, Amendment. The Invitation will expire at 3:00 P.M., New York City time, on June 3, 1997, unless extended by the Republic in its sole discretion or earlier terminated (such date, as so extended, the "Expiration Date"). The Republic may in its sole discretion terminate the Invitation (including with respect to Offers submitted prior to the time of such termination), extend it past the originally scheduled Expiration Date or amend it from time to time in any fashion, at any time before the Republic announces the acceptance of any Offers, by press release issued to Bloomberg News, the Dow Jones News Service and the Reuters News Service (collectively, the "News Services").

Publication. At the end of each Trading Day from the date of the Invitation through the Trading Day preceding the Expiration Date, the updated Brady Bond Exchange Price for the Par Bonds and C Bonds (calculated in each case using then current UST Benchmark Rates) will be displayed on Telerate pages 58875 and 58876.

Not later than 9:00 A.M., New York City time, on the first Trading Day after the Expiration Date, or as soon thereafter as practicable (such date of announcement, the "Announcement Date"), the Republic will announce, by press release issued to the News Services, the results of the Invitation.

Settlement. The settlement date for the Invitation (the "Settlement Date") will be the third Trading Day following the Announcement Date (or, if such Trading Day is not a Business Day (as defined below), the next succeeding Trading Day which is a Business Day). "Business Day" means any day on which Euroclear, Cedel Bank, the Fiscal Agent for the Global Bonds and the Exchange Agent are all open for business.

Neither the Republic nor the Dealer Managers make any recommendation that Participants offer to exchange Brady Bonds, sell Collateralized Brady Bonds or purchase Global Bonds or refrain from offering to do so pursuant to the Invitation, and no one has been authorized by the Republic or such Dealer Managers to make any such recommendation. Participants must make their own decision as to whether to offer to exchange Brady Bonds, sell Collateralized Brady Bonds or purchase Global Bonds pursuant to the Invitation, and, if so, the principal amount of Brady Bonds, Collateralized Brady Bonds or Global Bonds to offer to exchange, sell or purchase and the Offer Spread, if any, at which any offers to exchange or purchase should be made.

Participants may contact (a) the Exchange Agent for assistance in completing and delivering Letters of Transmittal, (b) either Dealer Manager for answers to questions concerning the terms of the Invitation and (c) the Exchange Agent or either Dealer Manager for additional copies of the Invitation materials, in each case at the telephone numbers listed below.

Facsimile copies of Letters of Transmittal will be accepted. Letters of Transmittal and any communications related thereto should be sent or delivered to the Exchange Agent at the address set forth below.

The Exchange Agent for the Invitation is:

Morgan Guaranty Trust Company of New York, London

60 Victoria Embankment
London EC4Y 0JP
EnglandAttention: Global Trust & Agency Services
Facsimile: 44-171-325-0686/8450/8451
Telephone: 44-171-325-8707/4601

The Dealer Managers for the Invitation are:

Goldman, Sachs & Co.

85 Broad Street
New York, New York 10004
Inside the U.S.: Toll-Free (800) 829-3182
Outside the U.S.: Call Collect (212) 802-8377

J.P. Morgan & Co.

60 Wall Street
New York, New York 10260
Inside the U.S.: Toll-Free (888) 225-4989
Outside the U.S.: Call Collect (212) 648-1510

COMPANIES AND FINANCE: EUROPE

KLM chief resigns as profits tumble

By Gordon Cramb in Amstelveen

Mr Pieter Bouw, who led KLM back from severe losses in the early 1990s but failed to secure the Dutch flag carrier a full network of industry partners, is to leave the airline in August.

He made the surprise announcement yesterday while reporting a 56.9 per cent fall in full-year net profits to F1236m (\$124m). KLM was weighed down in the year to March by higher jet fuel costs and a F1290m pre-tax charge to cover restructuring costs.

Mr Bouw, aged 55, has been KLM president since early 1991. He said he was leaving because the main points of a reorganisation programme had been agreed, though measures to implement it were not all in place. Last November he unveiled a three-year plan to improve earnings by spinning off support services, shedding loss-making routes and forging industry links.

Adding that six-and-a-half years was a sufficient spell in such a job, he said he would devote time to broader issues of Dutch policy -

and wanted to offer his services as a personal counsellor to fellow business leaders.

Insisting he was not quitting in despair, the Amsterdam-trained economist said: "I want something else which enables me to determine my own life a bit more."

He will be succeeded by Mr Leo van Wijk, 50, who as chief operating officer has been responsible for finding areas in which to save costs. Mr Van Wijk has been with the company since 1971 and worked in divisions including corporate development, marketing,

automation and cargo.

As president he will have to carry out a streamlining plan which seeks to improve return on equity from 6 per cent in the latest year to 14 per cent, a target thought unattainable by many analysts. This is intended to involve deeper links with Northwest Airlines of the US, in which KLM owns 25 per cent but has been in a protracted dispute with controlling shareholders. A F1442m contribution from Northwest, up from F258m, was buoyed by proceeds from preference shares.

KLM admits it also needs a partner within Europe's newly deregulated air travel market. Mr Bouw yesterday said only: "We are exchanging thoughts with many companies but I cannot say when we will be able to announce anything." KLM and its current partners, including Air UK and Transavia, have a European market share of about 8 to 9 per cent, he said. The dividend is being halved to F1.01 from F1.58. Shares in KLM nonetheless rose F1.60, or 2.75 per cent, to close at F159.80.

Further cost cuts planned at RWE

By Ralph Atkins in Essen

RWE, the Essen-based power and industrial concern, yesterday announced further rationalisation in its energy supply business to save DM700m (\$415m) a year, as it gears up for the liberalisation of the European power market.

Mr Dietmar Kuhn, chairman, said the cost savings, which come on top of DM550m in annual savings already achieved in the past few years, could give scope for price cuts - particularly for larger clients - after the creation of a pan-European electricity market. Pressure on margins was "set to continue with increasing intensity," he warned.

RWE also announced streamlining at Rheinbraun and Lauscha, part of its mining and raw materials operations, which should save about DM800m a year by 2000.

Unveiling third-quarter results, Mr Kuhn said profits for 1996-97 were expected to have risen at the same pace as in the nine months to March, when net income increased 6.8 per cent to DM878m. Mr Kuhn confirmed plans for a partial flotation of shares this year in Heidelberg, its printing machinery subsidiary.

RWE's start-up losses from telecommunications were DM184m in the first nine months, up from DM66m a year ago.

Young turks, veterans, vie for gas

Western bankers align themselves to factions jockeying for Gazprom

Over the past few weeks a steady stream of senior western bankers has made the journey to the gleaming Moscow headquarters of Gazprom, Russia's wealthiest company and the world's biggest natural gas producer.

Some have done so with growing confidence that they have found the inside track to Mr Rem Vyakhirev, the chairman, as they jockey to participate in one of the most important corporate fund-raising exercises to take place in Russia this year.

Others have walked into the Gazprom towers with trepidation, fearful that they are about to be sidelined.

Fierce competition between the bankers has been fuelled by the urgency facing Gazprom in raising new funds. But the banks have also been drawn into a wider drama being played out within Gazprom for influence over Mr Vyakhirev and the vast company.

The fund raising has taken on a new urgency because of growing government pressure on Gazprom. Mr Vyakhirev and his managers are scrambling to stay one step ahead of Mr Boris Nemtsov, the reformist first deputy prime minister, who has demanded that Gazprom pay its outstanding \$1.2bn tax bill and open itself to outside scrutiny.

Mr Nemtsov says it is a disgrace that the state has received only Rbs20bn (\$3.5m) in dividends from its shareholding over the past two years, at a time when Gazprom was earning billions of dollars in hard cur-

rency exports. But meeting the tax demand is only the tip of a financial iceberg for Gazprom. Although it is Russia's biggest single hard currency earner, Gazprom has a growing need for international finance to fund ambitious plans to expand its lucrative export pipelines to Europe's gas markets.

Bankers say it needs to raise \$3bn-\$4bn by the end of July to pay salaries and ensure that long-term development plans remain on track. Over the course of the next year it may need to raise as much as \$8bn through a combination of secured and unsecured loans, bonds and equity.

In the face of this voracious appetite for funds, it appears Dresdner Kleinwort Benson of Germany and Morgan Stanley of the US - which have to date advised Gazprom on a string of international capital market transactions - have been sidelined by a challenge from ABN Amro, the Dutch bank, and its US partner, Goldman Sachs.

In order to secure a relationship with Gazprom, the newcomers have offered the company a \$100 million unsecured bridging loan. It will come from their own capital and will subsequently be syndicated with a wider group of banks.

But it also seems that two competing factions, allied with the competing western banking groups, have emerged within senior management at Gazprom. One is made up of a young generation of "technocrats".

They were behind the company's \$429m equity place-



Rem Vyakhirev

ment last year organised by DKB and Morgan Stanley.

The leading figure in this group is Mr Alexander Semanyaka, who joined Gazprom from the AK&M financial information group, to run the company's securities department.

The rocky performance of the ADR price this year is thought to have undermined Mr Semanyaka in the eyes of Gazprom's top management. In recent months he appears to have lost Mr Vyakhirev's ear and in effect been replaced by Gazprom veterans.

They have sought the advice of Middlesex Hold-

ings, a small British company chaired by Lord Owen, the former British foreign secretary. Executives from Interfin Services, a Russian company in which Middlesex has a 40 per cent stake and Gazprom a 25 per cent holding, have also assumed an advisory role.

Some western bankers in Moscow say the appearance of such unlikely advisers to Russia's most politically-sensitive company, which accounts for 8 per cent of Russia's GDP, has made it even harder to understand what, and who, is driving the decision-making process within Gazprom. Some bankers fear that the uncertainty could have grave conse-

quences for the company. The emergence of multiple advisers promoting possibly contradictory financing strategies could derail the capital raising programme and discredit Russian borrowers in the eyes of foreign investors, they say.

"It takes only one mis-step and the trust built up (among foreign lenders and investors) over a long period of time can be destroyed," said one banker this week.

But is the decision-making process within Gazprom as murky as some participants make out?

Mr Masoud Alkhani, Middlesex's chairman, says his company's role is clear: "Our function is to get the best deal for Gazprom. We didn't try to set off a competition between the banks by design. That has just happened. But competition means the banks are trying to lend them more money at cheaper rates."

He denies suggestions that some of the western banks are deeply unhappy with the role of Middlesex and Interfin in the negotiations. "It's not that the banks are unhappy with us," he said. "They are unhappy with each other."

Although Gazprom seemed set this week to confirm that ABN Amro and Goldman Sachs would be appointed to raise the \$1bn Mr Vyakhirev promised the government by June 10, the jockeying for influence within the company and among its advisers shows no sign of abating.

Robert Corzine and John Thornhill

EUROPEAN NEWS DIGEST

Dresdner Bank downgraded

Dresdner Bank has followed Deutsche Bank, its bigger German rival, in being downgraded by Moody's Investors Service. Moody's yesterday lowered its long-term credit rating from triple-A to A+ and its financial strength rating from single-A to B plus. The international credit rating agency placed Dresdner on review in February, citing the "changing dynamics" of German banking. Yesterday, Moody's said these were altering the scale of competition "and adding elements of uncertainty to Dresdner Bank's fundamentals".

Moody's said its downgrading reflected increasing challenges in the highly fragmented domestic market and potential risks in investment banking. But it viewed Dresdner "as one of Europe's strongest and better managed financial institutions". It said the bank would probably continue to grow as a universal banking group with a strong domestic franchise, good asset quality and a growing non-interest income base.

IBCA gives Dresdner a rating of AA plus. Moody's said narrower margins in Germany along with flattening loan demand and gradual changes in savings trends were to some extent limiting Dresdner's ability to expand revenues from traditional net interest income sources. It also had a relatively high cost structure.

Andrew Fisher, Frankfurt

Metallgesellschaft climbs

Metallgesellschaft, the German industrial and trading group, raised pre-tax profits 51 per cent to DM106m (\$62.54m) at half-year, but said the steep increase partly reflected differences in the timing of big industrial plant orders. Mr Kajo Neukirchen, chairman, repeated his forecast that profits for the full year would be higher than in the year to September 30 1996, when they jumped 70 per cent to DM292m before tax.

Ha said the group was studying possible acquisitions in all its key sectors - plant engineering, chemicals, building technology and trading - as well as disposals of activities that did not meet strategic goals. Earlier this year, Metallgesellschaft agreed to buy effective control of Agiv, the loss-making industrial holding company, from BHP-Bank, but later pulled out of the deal. Metallgesellschaft improved turnover in the first six months by 15 per cent to DM7.7bn.

Andrew Fisher

P&O Nedlloyd makes loss

The newly-formed P&O Nedlloyd yesterday unveiled a first-quarter loss of \$31m before interest and other items, but said cost savings from the merger would take effect earlier than expected. It also said the savings would be comfortably above the \$20m a year originally forecast.

Yesterday's figures compare with a pro-forma loss, excluding capital gains, of \$13m of the two companies separately in the first 1996 quarter. After interest and other items totalling \$11m, the net result before merger costs and tax for the 60:50 joint venture in the first 1997 quarter was a loss of \$42m. The figures are unaudited. The combined company expects to achieve savings of \$200m a year by the fourth quarter of 1997. Three quarters of cargoes will be booked on a common system by the end of the second quarter. Merger costs will fall mainly in the last nine months of 1997.

Nedlloyd itself announced a trebling of first-quarter net losses to F145m (\$23.6m) from a F115m deficit a year earlier. Turnover rose 5.8 per cent to F185m, and operating profits edged up from F110m to F113m. Because of the expected savings from the deal with P&O, the Rotterdam group expects to be in the black for the year as a whole. Attributable earnings for 1996 were F149m. P&O's shares rose 1/4 to 635 1/4.

Charles Batchelor, London, Gordon Cramb, Amsterdam

Olivetti sells Synthesis

Olivetti, the troubled Italian information technology group, yesterday said it would sell its Olivetti Synthesis subsidiary, which specialises in designing and making office furniture and fittings, to a group of Italian furniture manufacturers. The sale of this small subsidiary, which employs 280 and had turnover of L66bn (\$40bn) last year, is part of Olivetti's strategy of disposing of assets no longer linked to its core businesses of telecommunications and information technology. The company said the sale would not affect 1997 results.

Paul Betts, Milan

EdP oversubscribed already

Retail investors have already subscribed for 325m shares, more than double the number on offer, in the initial public offering for Electricidade de Portugal, the Portuguese national power utility. Advisers close to the deal - Portugal's biggest privatisation to date - said yesterday retail investors had deposited about E6500m (\$3.61bn) in accounts reserved for EdP stock just three days after the pre-registration period had started. The period runs to May 28, with proportions for retail investors and institutions to be announced on June 5.

The demand from domestic investors is much heavier than the government or bankers had expected. Over the weekend, bankers privately admitted they were surprised by the E6180m which had already been deposited in the special accounts. The retail demand will increase pressure on the government to expand the size of the issue. So far, 25 per cent of EdP - 150m shares - is scheduled to be sold. However, the offer could well be increased to 30 per cent, or 180m shares. The shares will be priced in a range of E1,750-E2,250.

Michael Ludemann, London

Commerzbank advances

Commerzbank, the German bank, said its operating profits before risk provisions rose 20.5 per cent in the first quarter to DM1.05bn (\$620m). Net interest income was 16 per cent higher at DM1.56bn, with net commission income 17 per cent higher at DM177m, mainly as a result of active securities markets. However, financial trading profits fell 25 per cent to DM223m. The bank said this was because the comparative trading profit in the first quarter of 1996 was exceptionally high. Operating expenses increased 7 per cent to DM1.46bn.

Andrew Fisher

Demand lifts Merck

Merck, the German pharmaceuticals group, yesterday reported a 7 per cent rise in first-quarter net profits to DM140m (\$82.6m), attributed to solid demand in overseas markets. Operating profit climbed 17 per cent to DM278m in the same period.

AFX, Darmstadt

BNP-I pledges transparency

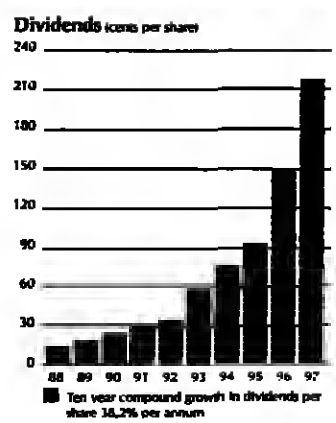
The chairman of BNP Intercontinental, a partly-owned subsidiary of Banque Nationale de Paris, yesterday pledged to make more financial information on the company publicly available. Mr Daniel Lebeque was responding to criticism during yesterday's annual meeting from representatives of several of the minority institutions and individual investors, which between them hold 30 per cent of BNP-I. With support from BNP, which holds 70 per cent of the shares, all the resolutions proposed by BNP-I were passed, but shareholders raised a number of questions about the remuneration of the company's board and the level of their independence from BNP. BNP-I's directors - who are largely executives in BNP or I - refused to answer questions about the stock options they held.

Andrew Jack, Paris

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

INVESTEC HOLDINGS LIMITED

Audited group results for the year ended 31 March 1997



CONSOLIDATED INCOME STATEMENT

	31 March 1997 R000	31 March 1996 R000	% Increase
Net income after taxation	398 443	263 387	51.3
Attributable to minority shareholders in subsidiaries	211 262	139 135	
Net income	187 241	124 252	50.7
Preference dividends	17 012	17 603	
Earnings attributable to ordinary shareholders	170 229	106 649	59.6
Ordinary dividends	69 385	46 408	49.5
Retained income for the year	100 844	60 241	
Earnings per share (cents)	539.7	358.4	50.6
Diluted earnings per share (cents)	512.7	332.0	54.4

CALCULATION OF HEADLINE EARNINGS

	1997 R000	1996 R000	% Increase
Headline earnings	173 439	106 649	64.5
Investec group exceptional items	(10 327)	-	
Minority share of exceptional items	5 129	-	
Attributable earnings	170 229	106 649	59.6

CONSOLIDATED BALANCE SHEET

	31 March 1997 R000	31 March 1996 R000
Capital employed		
Ordinary share capital	3 154	3 154
Compulsorily convertible preference shares	142 678	142 678
Share premium	586 250	586 324
Reserves	723 666	375 783
Preference share capital and convertible bonds	1 455 748	1 107 939
Compulsorily convertible debentures	303 662	482 640
Interest of minority shareholders in subsidiaries	2 403 215	1 433 324
Total capital employed	4 456 935	3 108 248
Liabilities		
Deposits and other accounts	58 724 246	44 969 246
Shareholders for ordinary dividend	106 326	68 044
	63 287 507	48 165 538

	1997 R000	1996 R000
Assets		
Cash and short-term funds	21 076 458	19 389 367
Short-term negotiable securities	12 244 190	15 923 391
Investment and trading securities	2 819 092	2 162 714
Other assets	2 533 434	1 526 387
Advances and other accounts	12 729 430	7 842 705
Associated companies	1 190 973	1 060 656
Fixed assets	693 990	360 118
	63 287 507	48 165 538

COMMENT

The results of Investec Holdings Limited (Inhold) reflect the continuing performance of the company's subsidiary Investec Group Limited (Investec). Inhold shareholders are referred to Investec's announcement for further details regarding the group's results. Headline earnings attributable to ordinary shareholders increased by 64.5% to R173.4 million, resulting in diluted headline earnings per share of 512.7 cents. Diluted earnings per share increased by 54.4% to 512.7 cents. Inhold has achieved a ten year compound growth rate per annum in diluted headline earnings per share and dividends per share of 38.8% and 38.2% respectively. Shareholders are referred to the announcement regarding the conversion of compulsorily convertible preference shares. The directors expect Investec, and therefore Inhold, to continue achieving strong growth in earnings and dividends.

On behalf of the board

I R Kantor

Chairman

B Kardo

Deputy Chairman

Registered offices

Investec Holdings Limited, Registration Number 85/05574/06, 55 Fox Street, Johannesburg 2001

Transfer secretaries

Mercantile Registrars Limited, 6th Floor, Mercantile Building, 54 President Street, Johannesburg 2001, PO Box 1053, Johannesburg 2000

Directors: I R Kantor (Chairman), B Kardo (Deputy Chairman), A J Basson, G R Burger, G H Davis, H S Herman, S Kantor, S Koele, D H Mitchell, P R S Thomas. "Duch"

COMPANIES AND FINANCE: UK

Paulo Scaroni to replace Roger Levertton in reshuffle at UK-based glassmaker

Pilkington chief ousted by board

By Ross Tieman

The chief executive of Pilkington, the UK-based glassmaker, was abruptly ousted yesterday in a boardroom coup engineered by the company's chairman.

Mr Roger Levertton is to be replaced by Mr Paulo Scaroni, the Italian head of the company's automotive operations.

The reshuffle at the top of one of the world's leading glassmakers was agreed

unanimously by the non-executive directors, led by chairman Sir Nigel Rudd. They had concluded that a £155m (£250m) restructuring of the company, which has issued three profit warnings in the past year, was going too slowly.

Sir Nigel said: "Roger is a super guy and he has always worked very hard and very diligently, but the non-executive directors felt there needed to be a change in the pace of reorganisation."

It is thought that Mr Levertton, 58, could receive a pay-off approaching £1m. He earned £375,000 a year under a non-mitigation contract that has two years to run. Discussions about a settlement, and pension contributions, are continuing.

Mr Levertton said he was confident that, in time, the benefits of restructuring during his five years as chief executive would be seen.

"I am disappointed that, despite the enormous

amount of activity and hard work of many people across the group, the value has not yet come through to shareholders."

Mr Levertton, a former executive of RTZ, the mining company, was brought in by Sir Anthony Pilkington, then chairman, to revive a company with annual sales of £2.8bn that had failed to achieve adequate profitability despite its global reach and renowned technology.

Sir Nigel said that despite

considerable efficiency improvements, Pilkington had failed to overhaul competitors such as Saint Gobain of France.

Mr Scaroni, a 49-year-old Italian, was recruited by Pilkington last October to head its automotive glass operation, the world's biggest.

He is a former management consultant, and one-time head of St Gobain's glassmaking operations worldwide.

Bass calls for merger approval

By Ross Tieman

Sir Ian Prosser, chairman of Bass, the brewing and leisure group, yesterday called on Mrs Margaret Beckett, the trade and industry secretary, to approve the planned merger of Bass Breweries with Carlsberg-Tetley.

"I think a merger will safeguard jobs and brands," he said. The group remained determined to conclude the deal that would make it the UK's biggest brewer, with about 35 per cent of the market. Sir Ian said Bass would seek to accommodate any official concerns about the impact on competition.

Bass also announced pre-tax profits up 10 per cent to £318m (£515.2m) for the 28 weeks to April 12.

The shares eased 18p to 801p, partly because analysts were disappointed that the £3m contribution from Bass's 50 per cent of Carlsberg-Tetley was not higher.

Last August, Bass agreed to buy Allied Domecq's half of Carlsberg-Tetley for £200m. If approved, Carlsberg will merge its half with Bass Breweries, in exchange for 20 per cent of the brewing business. But publication of a report by the Monopolies and Mergers Commission into the deal was delayed by the general election. Mrs Beckett is now expected to publish the findings, and indicate whether she will allow the deal, in July.

Sales of continuing operations rose 7 per cent to £2,659m. At the operating level, the best performance came from the pubs and restaurants, which lifted profits 10 per cent to £148m.

Holiday Inn, the group's chain of franchised hotels, lifted operating profits just 5.3 per cent to £80m. Sir Ian said the franchised chain would benefit from a £10m refurbishment programme.

Lex, Page 14

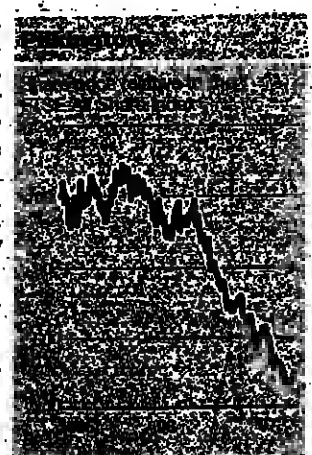
LEX COMMENT

Pilkington

Despite years of rationalisation there are still more people at Pilkington pushing paper than floating glass. That is why Mr Roger Levertton, the group's chief executive, dropped off the production line yesterday. Mr Levertton made nearly £300m of restructuring provisions in the past two years but, in the face of declining glass prices, the cuts have been neither deep enough nor fast enough. Pilkington's average operating margin over the past decade is 9 per cent; St Gobain, its main European rival, managed nearly 15 per cent in its glass division over the same period.

Mr Paulo Scaroni, the new chief executive who, according to his fans is the best thing since smoked glass, will clearly start by taking out another layer of costs. But he may want to think more creatively. It seems bizarre that the European market for building glass, where two companies - St Gobain and Pilkington - control over 50 per cent, should be riven by a price war. Having spent years working for St Gobain, Mr Scaroni ought to be in an ideal position to make sense of it.

The European plasterboard industry, another oligopoly, has boosted its returns massively since abandoning a price war in the early 1990s. Mr Scaroni's biggest challenge, however, will be to shake up Pilkington's stuffy and rather self-satisfied culture - made worse by its defeat of the BTR bid in 1989. As an outsider and non-family member he stands a good chance. But then the same was said of Mr Levertton in 1992.



Mr Paulo Scaroni, the new chief executive of Pilkington, is expected to start by taking out another layer of costs.

Courtaulds objects to Spanish plant

By Roger Taylor

Mr Gordon Campbell, chief executive of Courtaulds, the chemicals group, has written to Mr Karel van Miert, EU competition commissioner, objecting to the reopening of a viscose plant in Spain with government aid.

Since 1993, which earlier this year closed a plant capable of producing 30,000 tonnes of viscose a year, is now planning to reopen it with state support.

Mr Campbell said: "There is already too much capacity in this industry. We are the most efficient producer and we are hurting. It must be worse for others."

He said he had not yet received a response from Brussels.

He predicted that if

demand did not pick up, further capacity reduction would be inevitable. However, he believed the reductions would come from other less efficient producers.

The news came as the company went some way to restoring investor confidence when it announced an 11 per cent increase in operating profits on continuing business to £168m (£269m), and reported good progress in all divisions.

Analysts, who had downgraded profits forecasts following earlier warnings on the impact of sterling, were relieved that the results were no worse than expected. Some upgraded their recommendation from hold to buy.

The shares rose 24p to 330 1/2p.



Gordon Campbell: "There is already too much capacity"

Signet unveils capital restructuring plan

By Christopher Price

Signet has unveiled its long-awaited capital restructuring which will see the interests of ordinary shareholders heavily diluted in favour of preference shareholders.

Shares in the jewellery retailer, which includes the Ernest Jones and H Samuel chains, fell 6p to 30 1/2p.

Signet, which changed its

name from Ratners in 1993 after running into financial difficulties, has been under pressure from many of its preference holders to restructure. They are owed £164.5m in dividend arrears.

Some preference holders were particularly angered when Signet pulled out of selling its UK business in September, a move which would have helped reduce the group's large debts.

Under the terms of the complex reconstruction, all classes of preference shares are being converted into 1.4bn new ordinary shares.

These will account for and enjoy the voting rights of 82.5 per cent of the issued share capital. Preference holders currently have only 29 per cent of voting rights. However, in return, they will lose their right to the dividend arrears.

Ordinary shareholders, who currently hold 71 per cent of voting rights, will account for and have rights over 17.5 per cent of the new ordinary shares. More than three-quarters of shareholders must approve the plan with voting taking place under the existing shareholding arrangements.

The reconstruction announcement accompanied the group's annual results

which showed an 80 per cent rise in pre-tax profits to £45.1m.

The company pointed out that, under the plan, with after-tax profits of £33.9m and subtracting £31.4m of payments due to preference shareholders, earnings attributable to shareholders would amount to £2.5m. All the after-tax profits would be distributable to shareholders under the reconstruction.

Norwich share pay-out rises

By Christopher Adams, Insurance Correspondent

Nearly two million qualifying members of Norwich Union will each receive a bigger than expected windfall, worth on average more than £1,500 (£2,450), when the insurer floats on the London Stock Exchange next month.

Norwich Union has revised upwards the expected market price of its shares to 240p-290p each, valuing the group at up to £5.6bn. It had earlier forecast that the shares would be priced at 220p-260p.

But the pay-outs will vary widely among the 1.8m members holding so-called "with-profit" policies which pay an annual bonus.

Company pension schemes, which are registered as single members, will receive substantially more because of the amount they have invested. Most individual policyholders will get nearer £1,000.

Mr Allan Bridgewater, chief executive, said yesterday that the increase was due in part to a sharp rise in shares across the financial sector over recent weeks.

The minimum windfall for with-profit policyholders is 300 shares worth up to £270. More than one million members who hold non-profit policies will receive 150 shares.

It is also giving policyholders a discount of 25p per share if they buy additional shares, in an offering designed to raise £1.75bn in new capital.

Members have until June 10 to apply for the new shares, but they will not learn the amount to be paid until after a bookbuilding exercise, designed to tap the institutional market, closes on June 13. Dealings will start three days later.

A prospectus and application forms are being sent out today. For about 700,000 members overseas, including those in the US not allowed to accept shares, up to £200m worth of stock can be swapped for cash.

About £2.4bn of shares are

Bluebird warns as US sales slow down

By Virginia Marsh

Bluebird Toys, the manufacturer of popular miniature dolls, yesterday fell out of favour with the City when a profits warning wiped close to 40 per cent off the company's shares. It came less than three months after a positive trading statement.

The shares fell 63p to 106 1/2p amid signs that Polly Pocket, a fold-up doll which is the company's core product, may be losing its appeal to retailers in the important North American market.

Mr Chris Burgin, chief executive, said the company's shipments abroad in 1997 would be down on the previous year.

Sales of Polly Pocket were holding up in the UK, but in the US retailers were not holding stocks at expected levels.

The company said that in addition a collection of miniatures it launched a year ago under licence from Walt Disney had not found support among US retailers.

Bluebird's shares peaked at 378p in late 1995 after it announced it would produce Disney playsets with distribution handled, like sales of Polly Pocket, by Mattel, the



American toy giant.

Pre-tax profits fell by more than 40 per cent in 1996 to £9.9m (£16.03m) on turnover of £67.7m (£87.7m).

Analysts were told in March, when the 1996 results were reported, that there were signs of improvement this year. Yesterday most analysts marked down their pre-tax forecasts for 1997 from about £13m to £7m.

Mr Burgin insisted the US problems related to marketing Bluebird's products rather than to the popularity of the toys among children.

"We are working closely with Mattel... Neither of us are ready to throw in the towel yet," he said.

NEWS DIGEST

Fenner makes \$71.5m buy

Fenner, the engineering group, yesterday said it would become the world's second largest manufacturer of heavy duty conveyor belts after acquiring Scandura Holdings, the US belt manufacturer, for \$71.5m.

The UK company, announcing an 8 per cent increase in first-half profits, said the enlarged business would leapfrog rivals such as BTR and Germany's Continental to be second only to Goodyear in supplying conveyor belts to the coal, aggregates and grain industries.

The move follows several months of talks with Scandura, the subject of a \$43m buy-out from BBA of the UK almost 18 months ago.

Fenner also reported interim pre-tax profits up from £8.25m to £8.68m (£14m), despite reduced sales of £123.4m (£126.3m) in the six months to February 28. The figures were held back by unfavourable currency translation, which reduced profits by about £700,000 and wiped £10m off the sales line. Operating profits rose from £8.48m to £9.2m, mainly because of sharply improved profits in the conveyor belt division.

Scandura, by comparison, reported profits up from \$6.1m to \$11.6m on sales of \$95.4m (\$93.1m) last year. Fenner is paying \$49m in cash for the business - funded partly from borrowings and a \$13.5m vendor placing at 145p - and assuming \$22.5m of debt.

Tim Hart

Competition hits Natl Power

National Power, Britain's biggest generator, yesterday disappointed the market by unveiling an 8 per cent fall in annual profits before exceptional items to £740m (£1.2bn).

The market had been expecting profits of about £786m, and the shares fell 17p to 645 1/2p.

National Power said it was experiencing "increasingly competitive" conditions in the UK market, with wholesale electricity prices 4 per cent lower than a year ago.

Its share of England and Wales generation fell from 52 per cent to 24 per cent - almost entirely from the sale of 4,000MW of generating assets to Eastern Group, the UK subsidiary of Energy Group.

Mr Roger Witcomb, finance director, said National Power's earnings over the next couple of years would be "unexciting" until income from foreign investments bolstered earnings.

National Power also said that it should not be subject to the government's proposed windfall tax. It was not a "price regulated" utility, it said. Moreover, the government had owned a 40 per cent stake during the period when there had been most share price appreciation, and was therefore a beneficiary of any windfall that might have occurred.

Sales in the year to March 31 fell 10 per cent to £3.4bn (£3.9bn).

Gen Cable plans TV offer

General Cable, the French-controlled cable operator, plans to offer subscribers small packages of television channels later this year, even though this could lead to confrontation with channel owners. The cable company hopes to be able to negotiate new, more flexible agreements with the channel owners but, if that fails, clearly intends to go ahead anyway.

In the quarter to the end of March, General Cable's share of the revenues of operating companies increased 47 per cent to £30.5m (\$48.4m). However, the consolidated operating loss deepened from £6.12m to £8.92m, reflecting extra depreciation charges and additional losses following the acquisition of Yorkshire Cable last August.

Raymond Snoddy

Dresdner Kleinwort Benson
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Société Générale de Belgique
Rue Royale 30 - B-1000 Brussels - Belgium

1996 dividends

The Annual General Meeting held on 21 May 1997 decided to pay out, with effect from 28 May 1997, a dividend of BEF 87 net, i.e. after deducting withholding tax. The dividend will be increased to BEF 98.60 if the corresponding VVPR strip coupon is presented together with the share coupon by 30 November 1997 at the latest.

Holders of bearer shares may present coupon No. 40 and the corresponding VVPR strip coupon for payment at the following banks:

<p>Belgium:</p> <p>Général Bank Montagne du Parc 3, B-1000 Brussels</p> <p>Banque Indusbank Belgique Place Sainte-Croix 14, B-1000 Brussels</p> <p>Banque Belgo-Zabroise (Belgo-Zabroise) Carnegie 1, B-1000 Brussels</p> <p>France:</p> <p>Banque Indusbank 96, boulevard Haussmann, F-75008 Paris</p>	<p>Luxembourg:</p> <p>Banque Générale du Luxembourg 30, avenue J.-F. Kennedy, L-2951 Luxembourg</p> <p>Germany:</p> <p>Général Bank & Co Christophstrasse 33-37 D-5000 Cologne 1</p> <p>Deutsche Bank Tarnowskistrasse 12 D-6000 Frankfurt am Main 1</p>	<p>Switzerland:</p> <p>Credit Suisse First Boston 8 Paradeplatz, CH-8001 Zurich</p> <p>Société de Banque Suisse 1 Aeschenvorstadt, CH-4051 Basel</p> <p>Union de Banques Suisses 45 Bahndammstrasse, CH-8001 Zurich</p>
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RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends corresponding dividend	Total for year	Total last year
Bugbridge Brick	6 mths to Mar 31	15.9 (14.5)	0.088 (0.724)	1.09 (1.19)	0.75	Aug 6	0.75	3.125
Bunnings	26 wks to Apr 12	2,682 (2,221)	316 (288)	24.8 (21.8)	6.5	Jul 28	7.7	25
Black & Lister	Yr to Feb 28	90.8 (88.3)	10.24 (11.4)	22.67 (25.6)	2.75	Oct 3	1.75	4
Carlton Comm	6 mths to Mar 31	896 (847.8)	158.84 (143.3)	18.6 (15.3)	4.9	Aug 22	4.37	6.1
Chamberlain & Hill	Yr to Mar 31	27.8 (27.5)	2.01 (1.73)	18.97 (15.6)	5.5	Jul 26	5.1	7.5
Courtaulds	6 mths to Mar 31	2,100 (2,260)	133.6 (130.9)	20.7 (20.1)	11.95	Jul 31	11.8	16.4
Fenner	8 mths to Feb 28	123.4 (128.3)	8.68 (8.26)	5.84 (5.61)	1.84	Aug 1	1.7	6
General Cable	3 mths to Mar 31	22.5 (26.8)	11.9 (16.1)	3.21 (2.2)	1.4	Jul 2	2	2.8
IBM Capital	Yr to Dec 31	25.08 (20.38)	1.29 (1.73)	3.51 (3.09)	19.65	Jul 14	18.9	27
Land Securities	Yr to Mar 31	408.1 (400.6)	243.89 (227.8)	34.85 (33.99)	0.25	Aug 1	0.25	0.25
Merchant Retail	Yr to Mar 29	60.9 (63.2)	1.77 (2.15)	1.43 (1.37)	0.25	Aug 1	0.25	0.25
National Power	3 mths to Apr 30	18.6 (15.9)	2.06 (1.54)	9.1 (6.6)	18	Jul 31	17.8	25
Quadrant	6 mths to Mar 31	35 (39.5)	6.69 (6.22)	9.2 (9.3)	4.1	Jul 31	8.8	23
Signet	Yr to Feb 1	522 (584.7)	45.1 (25)	2.5 (0.45)	0.45	Jul 7	0.45	0.45
Villars	6 mths to Mar 31	2.41 (0.425)	0.473 (0.144)	0.41 (0.144)	1.4	Jul 10	1.3	4.2
Young (P)	6 mths to Mar 31	29.3 (27.3)	1.84 (1.22)	5.71 (5.5)	0.75	Jul 10	0.75	10.75
Investment Trusts								
Edinburgh	Yr to Mar 31	420.1 (382.9)	38.9 (39.2)	12.56 (13.7)	7.3	Jul 4	6.75	10.75
Flintshire Worldwide	Yr to Mar 31	66.78 (56.92)	3.58 (0.014)	4.63 (5.4)	1.51	Jun 25	1.51	1.1
Gartmore Scotland	9 mths to Apr 30	323.3 (280.3)	1.09 (1.16)	8.05 (8.54)	2.61	Aug 25	2.6	2.6
HS 1000 Index	Yr to Mar 31	118.87 (107.52)	0.834 (0.457)	2.07 (1.32)	0.8	Jul 7	0.75	1.6
HS 1000 Index	Yr to Mar 31	163.73 (146.57)	2.56 (1.58)	2.82 (2.25)	1.5	Jul 7	1.25	2.75
Mercury Earm Prio	Yr to Mar 31	145.04 (119.53)	21.5 (15)	3.47 (3.47)	1.17	Jul 31	1.2	2.2
Tor	9 mths to Apr 30	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)

هكزا من النهر

TECHNOLOGY

Mission sheds light on universe

Scientists are re-evaluating the facts as they check the Hipparcos satellite's data, says Bruce Dorminey

It could have turned into a failure of astronomical proportions, but the European Space Agency's €772m (\$477m) Hipparcos mission is being hailed as the biggest single advance in star measurement in almost 400 years.

Thirty years after its conception and a string of mishaps, the Hipparcos (High Precision Parallax Collecting) satellite has mapped well over 1m stars. And last week an international contingent of astronomers converged on a monastery in Venice to debate what the mass of data collected by the satellite means.

Among other things, its recordings of stars' distances, luminosities, positions and movement should help researchers resolve questions on stellar evolution and the age of the universe, even the extinction of the dinosaurs.

The satellite was launched in 1989, but the project was beset by problems before then. There were two years of delays, caused in part by a failure of the Ariane 4 rocket and the bankruptcy of one of the satellite's principal hardware manufacturers.

Then, 88 hours after the launch, one of the satellite's booster rockets failed to drive it into its proper geostationary orbit.

Hipparcos ended up circling too close to earth, regularly traversing the Van Allen radiation belts. After nearly four years, they took their toll, causing a complete hardware failure on the satellite in August 1993. But ground controllers made adjustments which

enabled Hipparcos to complete measuring its full programme of 118,218 stars at an accuracy equivalent to making out a golf ball across the Atlantic. A second catalogue of 1,089,822 stars was measured at a 10th of that accuracy.

The results have been collated in 17 catalogues - or six CD-Roms - based down from 1,000bn bits of information. It was the largest astronomical data analysis operation ever done, involving some 100 scientists working over three years.

The satellite scanned the whole sky 16,000 times, visiting each target star at least 100 times. It used a reflective beam-combining mirror to sweep the sky in great circles, completing a revolution in just over two hours. The resulting primary catalogue is 100 times better than ground-based observations. Astronomers can compare the results with 100-year-old photographic plates to determine where any given star has been and where it is going.

Catherine Turon, an astronomer at Paris-Meudon Observatory who worked out which stars to survey, had to cull 500,000 proposed stars to meet the mission's scientific objectives and ensure that the stars to be measured were evenly distributed across the celestial sphere. Then astronomers at 30 institutes worldwide had to remeasure painstakingly about 100,000 stars for the position as well as 15,000 for the magnitude well in advance of launch. It took them six years. The mission's results are

already generating controversy. Before Hipparcos, a new generation of cosmologists had claimed the universe could be several billion years younger than some of the galaxy's oldest stars. But after Hipparcos, the more conservative thinkers could be vindicated.

The satellite has estimated the oldest Cepheids, variable stars whose luminosity rhythmically fluctuates, to be 15 per cent further away than previously thought, while also more luminous and therefore younger. This would move the age of the universe up to 15bn years while the age of the oldest Cepheids would be decreased to 11bn years.

By contrast, the Pleiades star cluster was found to be 15 per cent nearer at 116 parsecs (or 378.16 light years) as well as less luminous than previously thought. "This contradicts the results of previous observations, and could cause ground-based observers to rethink their methods of calculating stellar distances."

However, David Soderblom, an astronomer at the Hubble Space Telescope Institute in Baltimore, is not willing to give up on ground-based astrophysics which help determine such distances to the Pleiades. It is plausible, he says, that there are some subtle problems with Hipparcos's parallax calculations that have yet to be detected.

In ground-based photometric distance determination, a nearby star's distance is determined in part by matching its colour and



Reach for the stars: the Hipparcos flight model being prepared for testing

chemical content to more distant stars of the same type. By measuring the total amount of luminosity the more distant star generates, its distance can be mathematically extrapolated. Hipparcos used straight triangulation to figure its parallaxes.

"What people like Soderblom are afraid of is that the distance determination methods that they've been relying on for so long are no longer valid," says Floor van Leeuwen, an astronomer at the UK's Royal Greenwich Observatory. "Ground-based photometric observations are less reliable because they involve assumptions. With the Pleiades we see that those assumptions are actually not true."

Even though distance questions are important, Michael Perryman, the mission's project scientist, sees the larger issue

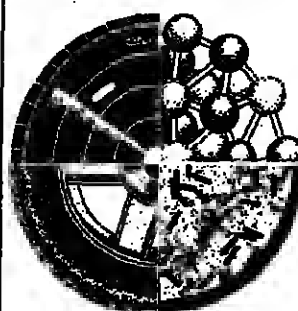
as using the data on luminosity to achieve the best three-dimensional placement possible and thereby to further theories of stellar evolution and structure. He views cosmological issues regarding age as "a side-show".

As for the extinction of the dinosaurs, some theorists believe that stars passing too close to the solar system may be responsible for dislodging millions of comets circling a light year or so outside the solar system in what is known as the Oort Cloud. That could send any wayward comets on a collision course with earth, like that which is believed to have led to the extinction of the dinosaurs. Hipparcos data will be used to trace stars that have travelled past earth in the recent geologic past in hopes of finding the stellar "smoking gun".

high academic rank". In Sweden, women are awarded 44 per cent of biomedical doctorates but hold a mere 26 per cent of post-doctoral positions and only 7 per cent of professorial positions. The peer-review system should be overhauled to provide "some built-in resistance to the weaknesses of human nature", the *Nature* paper concludes. "If this is not done, a large pool of promising talent will be wasted."

VH

Worth Watching - Vanessa Houlder



New bus fuel takes to the road

Trials are under way in Georgia of a hydrogen-fuelled bus that produces virtually no emissions.

The bus is one of the first vehicles to store hydrogen fuel in metal hydrides rather than hydrogen fuel cells. When the hydrides are heated using energy from the bus's generator, they slowly release hydrogen gas. The gas fuels a standard internal combustion engine, which drives an electrical generator that keeps the bus's batteries charged.

The H2Fuel bus was developed by a coalition that includes the US Department of Energy, Augusta-Richmond County Public Transport, Westinghouse Savannah River Company and Georgia Institute of Technology.

The bus, which carries 5,000 cu ft of hydrogen, can travel more than 100 miles before refuelling.

Georgia Institute of Technology: tel 404/894/8980; www.gtri.gatech.edu/roa.html

Key development for French workers

French postal workers in Caen are experimenting with a smartcard electronic sensor key that gives them access to blocks of flats at particular times.

When someone waves a credit card-sized badge next to an antenna mounted next to the door, a control box checks the access rights. The key, which cannot be copied and only works for a specified period, is designed to reduce the problem of lost or stolen keys.

The key was developed by La Poste and France Télécom, while the pilot scheme in Caen is run by La Poste, the post office; EDF-GDF Services, the French electricity and gas

boards; Onest-France, a regional newspaper; and Otis, the lift manufacturer. As well as allowing postal workers limited access to the buildings, it allows staff to read meters and carry out repairs.

La Poste: France, tel 141416431; fax 141416435.

A dose of printing technology

US researchers have devised a technique for "printing" drugs into pills using a three-dimensional printing device similar to a computer inkjet printer.

The process involves dropping a precise drug dose on to a thin layer of fine powder in a process that is repeated between 30 and 50 times.

The developers at the Massachusetts Institute of Technology believe the technique can deliver ultra-precise doses. It can also put a cocktail of drugs into a single tablet and make slow-release tablets that deliver very precise doses at different times.

The printing process is to be submitted for approval by the Food and Drug Administration. Massachusetts Institute of Technology: US, tel 617/253/2700; web.mit.edu/

Cooking up a way of fixing bumps

Joints and bumps from badly repaired roads could become less frequent following the development of a microwave-based technique that makes road repairs last longer.

Instead of using heated asphalt to repair the potholes, the technique uses microwaves to heat the area to be fixed and the asphalt used to repair the hole. The Oak Ridge National Laboratory, run by the Department of Energy, which developed the technique says that the advantages of the approach are the strength and seamlessness of the repairs.

The researchers have also used microwave technology to detect cracks and flaws at an early stage by sending a signal into the road and monitoring the reflection.

Oak Ridge National Laboratory: US, tel 423/5760226; www.ornl.gov/

Anyone who assumes the world of science is a model of objectivity and fairness can think again. A paper in today's *Nature* provides evidence that scientists are as prone to "the effects of prejudice and comradeship" as everybody else.

Science is riddled with sexism and nepotism, according to the research which was based on the first-ever analysis of the peer-review process - in which scientists evaluate the grant proposals, job applications and

Men who call the shots

publications of other scientists.

The workings of the peer-review systems are normally private and confidential. But two scientists at Göteborg University in Sweden used the Freedom of the Press Act to force the Swedish Medical Research Council, one of Sweden's main funding bodies, to reveal the scores given by its reviewers to

applications for post-doctoral fellowships.

The two researchers analysed these scores by comparing them with six independent criteria of "scientific productivity", such as the number and prominence of the journals in which applicants had published their work.

The results were striking. Women scored markedly lower

than the men for the same level of scientific productivity.

Applicants with some connection to one of the reviewers scored better than their rivals.

The researchers believe that widespread gender discrimination "could entirely account for the lower success rate of female as compared with male researchers in attaining

PIRAEUS Finance

Invitation for Expressing Interest

In the purchase of the assets of the company "NIGRITA COTTON GINNING VISALIS SA".
"PIRAEUS Finance, Financial and Consultancy Services P.L.C." with registered offices in Athens (Amalias and 5 Souri str.), Greece, acting as special Liquidator of the firm company, in compliance with judgement no.3591/197 of the Court of Appeal of Athens, Greece, which placed the company "NIGRITA COTTON GINNING VISALIS SA" under special liquidation pursuant to provisions and procedure of article 48a of L. 1892/90.

INVITES

Interested parties to submit, in writing, non binding expressions of interest for the purchase of the assets of the company "NIGRITA COTTON GINNING VISALIS SA", within 20 days from the date hereunder.

SUMMARY INFORMATION FOR THE COMPANY

The company owns a cotton ginning plant located at village Hournio, district of Serres, Greece.

Assets consist of land of 25,003 m², buildings of total gross area of 6000 m² including offices of 322 m², warehouse sheds of 2500 m², ginning factory of 3000 m². The main frame of buildings is made of armed concrete, the walls and roofs of concrete and panels. The land is fenced; there are asphalt roads, fire protection system, weight bridge in the surrounding area. Machinery and other equipment, trade name are included. Detailed description of the company's assets is included in the information Memorandum which will be available to interested parties in due course.

Other information on the Sale:

- Interested parties will receive Information Memoranda from the office of the liquidator within the terms provided by the law.
- For any further information, please contact:
Piraeus Finance, Amalias and 5 Souri str., Greece, telephone no. 01-5335672.

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Notice is hereby given that at the annual general meeting of shareholders held on 21 May 1997 the dividend for the year 1996 was fixed as follows:
- a cash dividend of Dfl 0.50 per share of Dfl 5.00 nominal value or
- a stock dividend of one share for 25 shares of Dfl 5.00 nominal value.
Shareholders are given the opportunity to make their choice known until and including 8 June 1997. If no indication is not received by that date, only a cash dividend will be payable.
Cash dividends on shares in Dfl form will be paid in exchange for coupon number 3. If the chosen cash dividend on shares in Dfl form will be paid in exchange for coupon number 3. If the chosen cash dividend on shares in Dfl form will be paid in exchange for coupon number 3.
These holding CF shares may claim dividends through the holder of the dividend coupon sheet.
The dividend will be sent from the share payments account and will be payable as from 11 June 1997 at my office of International Nederlanden Bank N.V.
Amsterdam, 21 May 1997
The Board of Directors

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Contact: James Allan
Tel: 0171 337 3999
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Notice is hereby given that the rate of interest for the period from May 22nd, 1997 to November 20th, 1997 has been fixed at 6.00% per annum. The coupon amount due for this period is USD 3,600,000 and is payable on the interest payment date 10 November 1997, 1997.

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INTERNATIONAL CAPITAL MARKETS

Europe loses early gains on US sales

GOVERNMENT BONDS

By Michael Lindemann
in London and New
Martinson in New York

European bond markets started well in early trading, pleased that the US Federal Reserve had not raised interest rates, but plunged later, driven by selling from some leading US investment banks and fears about the European single currency.

"It all went pretty sour at lunchtime," said Mr David Brown, chief European economist at Bear Stearns.

Bond traders said at least two large US investment banks had sold a large number of gilt and bund futures contracts, possibly to cover losses incurred in other markets.

The sales were reported to be partly proprietary and partly on behalf of leading US hedge funds. There were reports, for example, of big losses in the currency markets due to the recent fall in the value of the Thai baht.

Other analysts said the selling spree had been compounded by fears about European Monetary Union following Germany's decision last week to revalue its gold reserves.

"For the international bond investor that's actually quite worrying," said Ms Phyllis Reed, bonds strategist at BZW. "A US investor has to look pretty hard to pick up any yield whatsoever. Italy is the only market likely to benefit from worries about a soft Euro but only to some degree."

Ms Reed said Euro fears were likely to push yields on German bunds higher, contrary to most expectations that yields on Italian BTPs and Spanish bonos would fall to match lower German yields.

GERMAN BONDS felt the pressure with the June bund future settling at 101.23, down 0.39. "The biggest risk for bund investors is a botched Euro and that's what we are heading for," Ms Reed said.

UK GILTS were not minded to be any different. The June long gilt fell to settle at 112.8. Bear Stearns' Mr Brown suggested liquidity in gilts would dry up today and tomorrow ahead of a UK public holiday on Monday.

Demand for the auction of \$1.5bn worth of 8% stock due 2021 is expected to be very strong. Mr Andrew Roberts, gilt analyst at UBS said the strong interest would dry up liquidity at the long end of the market and push prices higher.

US TREASURY prices were down at mid-session yesterday after the US trade deficit narrowed more than expected and the lower dollar caused uneasiness.

Traders said hedge funds were among the biggest sellers as they unwound positions based on the strong dollar against the yen.

Other sellers included investors who had expected prices for shorter-dated bonds to rise if the Federal Reserve Open Market Committee had raised rates.

The benchmark 30-year note saw the biggest decline, falling 1/8 to 96 1/8, yielding 6.94 per cent.

The US goods and services trade gap narrowed to \$8.5bn in March, below the expected level of \$10bn. The figures pointed to stronger

growth in the economy although some analysts discounted the information as backward looking and therefore less surprising.

The yield curve, the difference between the two-year and 30-year securities, continued to steepen following the Fed's decision.

With the two-year note falling just 1/8 to 100 1/8 and yielding 6.316 per cent yesterday, the curve steepened to 73 basis points.

This compares with a difference of less than 65 points before the announcement was made.

Mr John Spinnello, government securities strategist at Merrill Lynch, said the "front end was considered fairly priced" especially after Tuesday's decision had lifted fears of an early rate rise.

Rabobank \$250m deal aimed at retail

INTERNATIONAL BONDS

By Samer Iskandar

Hopes that the US Federal Reserve's decision to keep interest rates unchanged would revive the primary bond market were frustrated yesterday, with issuance remaining at relatively low levels.

"We were really surprised not to see more issuance," said a senior banker in London. "Everyone was expecting a flood of new bonds now the FOMC meeting is out of the way."

The day's largest transaction was a \$250m issue by RABOBANK of the Netherlands. With a maturity of three years, the paper was aimed at retail investors in Switzerland and Italy and, to a lesser extent, the UK.

Rabobank is one of the most familiar issuers and one of the last remaining triple-A rated banks," said Nikko Europe, the lead manager. "The spread performance has been solid."

DAYA GUNA SAMUDERA, an Indonesian fishing and fish processing company, made its debut through DGS International Finance, a financing vehicle.

Bankers Trust, the lead manager, said the market's response was "very positive". The initial amount of \$150m was almost five times oversubscribed, allowing an increase to \$250m.

Indonesian corporate bonds have been issued before, mainly by paper pulp producers in the US high-yield bond market. But BT said yesterday's issue was the first from the country to

New international bond issues

Issuer	Amount	Coupon	Price	Maturity	Yield	Spread	Book-runner
ABN AMRO	250	6.375	98.788	Jun 2002	6.975	120bps	ABN AMRO
ABN AMRO	250	6.375	98.788	Jun 2002	6.975	120bps	ABN AMRO
ABN AMRO	250	6.375	98.788	Jun 2002	6.975	120bps	ABN AMRO
ABN AMRO	250	6.375	98.788	Jun 2002	6.975	120bps	ABN AMRO
ABN AMRO	250	6.375	98.788	Jun 2002	6.975	120bps	ABN AMRO
ABN AMRO	250	6.375	98.788	Jun 2002	6.975	120bps	ABN AMRO
ABN AMRO	250	6.375	98.788	Jun 2002	6.975	120bps	ABN AMRO
ABN AMRO	250	6.375	98.788	Jun 2002	6.975	120bps	ABN AMRO
ABN AMRO	250	6.375	98.788	Jun 2002	6.975	120bps	ABN AMRO
ABN AMRO	250	6.375	98.788	Jun 2002	6.975	120bps	ABN AMRO

strong interest from France and Germany, where investors are familiar with the borrower and said investors had been attracted by the deal's combining a higher credit rating than Italy's

with a yield of 10 basis points more than BTPs.

Rheinsche Hypothekbank, the German mortgage bank, is planning the first dollar-denominated global bond, possibly with a 10-year maturity and an amount approaching \$1bn.

Syndicate managers were also speculating that Hra-ga might issue a debut global bond, possibly with a 10-year maturity and an amount approaching \$1bn.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Coupon	Rate	Price	Yield	Week	Month
Australia	6.750	110.05	92.8708	-0.10	7.67
Austria	5.750	104.07	96.1800	-0.470	5.96
Belgium	6.250	109.07	102.4500	-0.180	6.91
Canada	7.000	120.05	103.7500	-0.350	8.47
Denmark	6.000	110.000	110.8000	-0.220	6.30
France	4.750	102.00	100.0700	-0.130	4.73
Germany	5.500	104.07	96.3400	-0.450	5.72
Ireland	6.000	107.07	100.7300	-0.350	5.98
Italy	6.000	107.07	100.7300	-0.350	5.98
Japan	6.750	120.05	103.7500	-0.350	8.47
Netherlands	5.500	104.07	96.3400	-0.450	5.72
Portugal	5.500	104.07	96.3400	-0.450	5.72
Spain	7.250	120.05	103.7500	-0.350	8.47
Sweden	6.000	107.07	100.7300	-0.350	5.98
UK Gilts	7.000	120.05	103.7500	-0.350	8.47
US Treasury	8.000	130.00	113.24	-10.22	7.21
ECU (French Govt)	7.000	104.07	106.7400	-0.350	6.00

London closing. "New York mid-day".
* Gross including withholding tax at 12.5 per cent payable by nonresident.
Prices: US, UK in 32nds, others in decimal.

US INTEREST RATES

Rate	One month	Two month	Three month	Six month	One year
Prime rate	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
Broker rate	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
Federal funds	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
Fed funds at discretion	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4

BOND FUTURES AND OPTIONS

FRANCE

NATIONAL FRENCH BOND FUTURES (MATIF) FR500,000

Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	128.58	128.58	-0.08	130.14	128.46	138,276
Sep	128.40	128.40	-0.08	128.50	128.06	1,352
Dec	128.40	128.40	-0.08	128.50	128.06	1,352

LONG TERM FRENCH BOND FUTURES (MATIF) FR500,000

Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	128.58	128.58	-0.08	130.14	128.46	138,276
Sep	128.40	128.40	-0.08	128.50	128.06	1,352
Dec	128.40	128.40	-0.08	128.50	128.06	1,352

Est. vol. total: 1,352. Puts 1,352. Previous day's open int. Cite 138,458 Puts 138,472.

Germany

NATIONAL GERMAN BOND FUTURES (LIEFF) DM250,000 100ths of 100%

Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	101.84	101.84	-0.38	101.95	100.95	311,746
Sep	100.82	100.82	-0.40	100.86	99.93	7,943

Est. vol. total: 311,746. Puts 311,746. Previous day's open int. Cite 101,840 Puts 101,840.

UK Gilts Prices

Shorts (3 months up to 10 years)

Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	101.84	101.84	-0.38	101.95	100.95	311,746
Sep	100.82	100.82	-0.40	100.86	99.93	7,943

Est. vol. total: 311,746. Puts 311,746. Previous day's open int. Cite 101,840 Puts 101,840.

BUND FUTURES OPTIONS (LIEFF) DM250,000 points of 100%

Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	101.84	101.84	-0.38	101.95	100.95	311,746
Sep	100.82	100.82	-0.40	100.86	99.93	7,943

Est. vol. total: 311,746. Puts 311,746. Previous day's open int. Cite 101,840 Puts 101,840.

NATIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIEFF) Lit 200m 100ths of 100%

Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	130.98	130.98	-0.44	131.40	129.73	90,985
Sep	131.78	131.78	-0.48	131.90	130.33	4,981

Est. vol. total: 90,985. Puts 90,985. Previous day's open int. Cite 130,928 Puts 130,928.

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIEFF) Lit200m 100ths of 100%

Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	130.98	130.98	-0.44	131.40	129.73	90,985
Sep	131.78	131.78	-0.48	131.90	130.33	4,981

Est. vol. total: 90,985. Puts 90,985. Previous day's open int. Cite 130,928 Puts 130,928.

Spain

NATIONAL SPANISH BOND FUTURES (MEFF)

Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	116.20	116.20	-0.28	116.64	115.75	135,943
Sep	115.43	115.43	-0.18	115.80	115.12	1,708

Est. vol. total: 135,943. Puts 135,943. Previous day's open int. Cite 116,200 Puts 116,200.

NATIONAL UK GILT FUTURES (LIEFF) £50,000 32nds of 100%

Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	113.20	113.20	-0.17	113.23	112.20	140,638
Sep	113.29	113.29	-0.17	113.30	112.30	4,296

Est. vol. total: 140,638. Puts 140,638. Previous day's open int. Cite 113,200 Puts 113,200.

ECU BOND FUTURES (MATIF) ECU100,000

Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	95.98	95.98	-0.04	96.10	95.70	1,377
Sep	95.98	95.98	-0.04	96.10	95.70	1,377

Est. vol. total: 1,377. Puts 1,377. Previous day's open int. Cite 95,980 Puts 95,980.

US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	110.01	110.01	-0.03	110.08	109.30	114,103
Sep	109.21	109.21	-0.03	109.27	108.59	7,696

Est. vol. total: 114,103. Puts 114,103. Previous day's open int. Cite 110,010 Puts 110,010.

NATIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIEFF) ¥100m 100ths of 100%

Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	123.20	123.20	-0.08	123.28	122.80	8,918
Sep	122.01	122.01	-0.08	122.09	121.61	n/a

Est. vol. total: 8,918. Puts 8,918. Previous day's open int. Cite 123,200 Puts 123,200.

Other Fixed Interest

Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	123.20	123.20	-0.08	123.28	122.80	8,918
Sep	122.01	122.01	-0.08	122.09	121.61	n/a

Est. vol. total: 8,918. Puts 8,918. Previous day's open int. Cite 123,200 Puts 123,200.

FTSE Actuaries Govt. Securities

Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	110.01	110.01	-0.03	110.08	109.30	114,103
Sep	109.21	109.21	-0.03	109.27	108.59	7,696

Est. vol. total: 114,103. Puts 114,103. Previous day's open int. Cite 110,010 Puts 110,010.

FT Fixed Interest Indices

Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	110.01	110.01	-0.03	110.08	109.30	114,103
Sep	109.21	109.21	-0.03	109.27	108.59	7,696

Est. vol. total: 114,103. Puts 114,103. Previous day's open int. Cite 110,010 Puts 110,010.

FT/ISMA INTERNATIONAL BOND SERVICE

Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	110.01	110.01	-0.03	110.08	109.30	114,103
Sep	109.21	109.21	-0.03	109.27	108.59	7,696

Est. vol. total: 114,103. Puts 114,103. Previous day's open int. Cite 110,010 Puts 110,010.

U.S. DOLLAR STRAIGHTS

Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	110.01	110.01	-0.03	110.08	109.30	114,103
Sep	109.21	109.21	-0.03	109.27	108.59	7,696

Est. vol. total: 114,103. Puts 114,103. Previous day's open int. Cite 110,010 Puts 110,010.

U.S. DOLLAR STRAIGHTS

Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	110.01	110.01	-0.03	110.08	109.30	114,103
Sep	109.21	109.21	-0.03	109.27	108.59	7,696

Est. vol. total: 114,103. Puts 114,103. Previous day's open int. Cite 110,010 Puts 110,010.

U.S. DOLLAR STRAIGHTS

Canada 6½ 05	1500	97	97½	+½	8.98	Inter Amer Div 4½ 03	8
Sheung Kong Fin 5½ 88	500	98½	98¾	+½	8.98	Ontario 6½ 03	4

Aluminium demand set to increase

By Kenneth Gooding
in Atlanta

At least one aluminium smelter needs to be built every year until 2015 if the western industry outside the former eastern bloc countries is to keep pace with probable demand.

Mr Robin Adams, president of the Resource Strategies consultancy, said it was possible that three new smelters a year would be needed.

Speaking in Atlanta at the Alumtech 97 conference, he also suggested that it was 80 per cent probable that the average aluminium price would be between \$1,550 and \$1,840 a tonne in the years to 2005. The average price for three-month aluminium on the LME in April was \$1,594.52 a tonne.

"If you are considering a new smelter project and need a price greater than \$1,840, I suggest saving your own money on the feasibility study," he said. "The chances of the required price developing in the next 10 years is relatively remote."

For aluminium consumers he had this advice: "If you need an aluminium price of less than \$1,550 a tonne to justify a new application in your industry, we suggest you rethink the basic engineering approach to your product."

Mr Adams was one of a panel of three economists making predictions at the conference, sponsored by the US Aluminium Association.

Resource Strategies studied a large number of possible scenarios. From this it deduced that a "reasonable range" of additional western capacity required by 2015 was "from a low of 6m tonnes, or 20 new smelters,

to a high of 11m tonnes or 44 new smelters."

Mr Adams insisted that this type of perspective provided a more valuable insight into aluminium companies and financial institutions than did a "single point".

Mr Jim Southwood, president of Commodity Metals Management, said his consultancy had conducted similar analysis. Its work showed aluminium consumption growth this year compared with 1996 would be between 2.5 and 4 per cent.

He identified nearly 1m tonnes of new smelting capacity scheduled to start up during the next two years. "Although this seems like a large increase," he added, "it is less than expected consumption growth." It was the possible restart of nearly 1m tonnes of capacity temporarily shut down by western producers that would determine the net supply and demand balance over the next two years.

Mr Nicholas Mason, research manager of the aluminium group at the CRU International consultancy, suggested that the three-month London Metal Exchange aluminium price would drift lower to between \$1,500 and \$1,600 a tonne by the end of this year - even though there was likely to be a small supply deficit of 120,000 tonnes.

He said the next upturn for the market was between nine and 12 months away and would at first involve a "gentle uplift". Nevertheless, sources of market instability, such as investment fund activity, were only in abeyance "so the market will have a bumpy ride as it rises towards the next peak".

COMMODITIES AND AGRICULTURE

Gold consumption reaches record levels

By Michael Peel

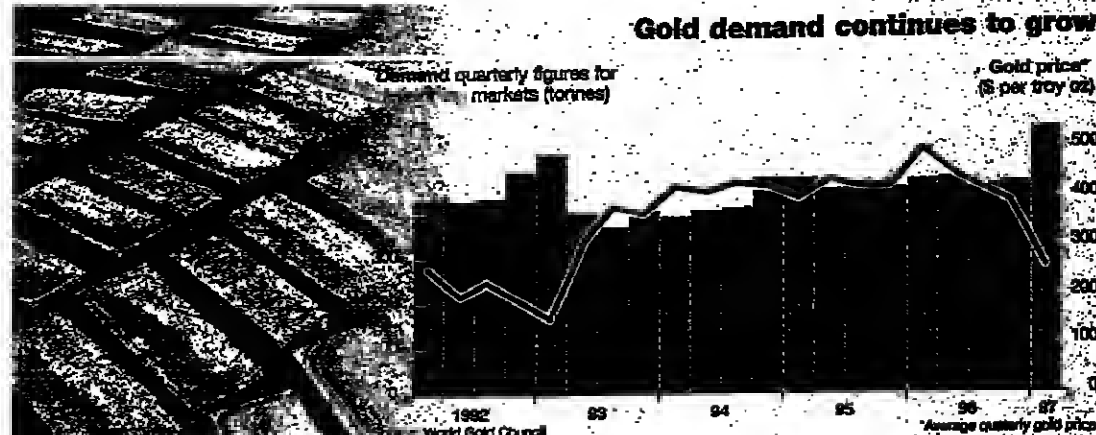
Worldwide demand for gold reached record levels in the first quarter of this year, the World Gold Council said yesterday.

Overall consumption in the countries monitored by the council - which account for about 80 per cent of global demand - was 770.6 tonnes, some 17 per cent higher than consumption in the first quarter of 1996.

The council, a promotional organisation financed by some of the world's leading producers, said the increase was largely due to a sharp rise in demand in developing markets.

Aggregate demand for the quarter in those markets was a record 566.8 tonnes, an increase of 22 per cent on the first quarter of last year.

"There was a broad-based growth in gold demand across all the regions in the world,"



said Mr George Milling-Stanley, the manager of gold market analysis for the council.

"This was especially encouraging as it came after two years in which demand in the developing markets as a whole had held steady, with very little growth at all."

Demand from India, which is the world's largest gold consumer market, reached 161.7 tonnes in the first quarter, an increase of 38 per cent on a year earlier. However, demand in China, Taiwan and Hong Kong fell by a total of 10 per cent.

Mr Milling-Stanley contrasted the situation in India, where the gold market has been progressively deregulated over the past few years, with that in China, where gold may only be sold legally through 5,000 state-run outlets. "China is still hobbled by severe

restrictions," he said. "Gold consumption in India has doubled in the past four years. I wish that China would deregulate a bit more."

Demand in developed countries of 183.8 tonnes was 2 per cent higher than a year earlier. Investment demand, which fell by 57 per cent in 1996, gained 35 per cent in the first quarter of this year on the back of bargain hunting in Japan and increased coin demand in the US.

Mr Milling-Stanley said he was not surprised by the recent falls in the gold price, which he thought were the result of heavy short-side speculation.

"I don't think it was the absence of investors and speculators that hurt the gold price," he said. "And I don't think it was any shortcoming on the demand side. The presence of the speculators was a problem because they added so considerably to the supply."

Coffee prices jump on export quota news

MARKETS REPORT

By Maggie Urry and Michael Peel
in London and Stockholm

The recent rally in coffee prices was reignited yesterday after the Association of Coffee Producing Countries decided to maintain export quotas for a further year so prices stay high.

Prices in New York rose sharply on the news, with the July arabica contract jumping to 252 cents a pound. Profit-taking brought the price down to 250.30 just after midday - a rise on the day of 10.05 cents.

On the London International Financial Futures Exchange robustness closed \$15 higher at \$2,090 a tonne. Before the news the July contract had lost \$45.

The ACP, which represents 14 nations, said "the priority of the established policy is to ensure prices remain at a level remunera-

tive to producers, but allowing continuing growth in worldwide consumption".

Talks in London concluded yesterday with an agreement to set total exports for the 12 months beginning July 1 at 52.75m bags, each of 60kg. This follows a limit of 25.5m bags for the six months to end-June, roughly the same annual rate.

Coffee prices hit a 20-year high late last week, but had weakened in the last few days on hopes that the ACP would increase its export quotas. With those expectations dashed, prices rose rapidly. Prices have risen around 80 per cent this year after a volatile mixture of tight supply, low stocks and fears of frost in Brazil drew speculative money into the futures markets that determine world prices.

Copper touched a one-year high for the second successive day before investors and speculators who had bought the metal began to sell.

Three-month copper on the London Metal Exchange ended the day at \$2,506 a tonne, an overall rise of \$13, after reaching \$2,518.

A bout of selling by producers may also have forced the price down. "It's come under pressure because it looked a bit over-bought," said an analyst, "but it has still put in a good performance for the day. Stocks are still low and for the near term the fundamental picture is still supportive."

Trading of wood pulp futures and options will go ahead on May 29 as planned, OM, the Swedish derivatives exchange operator, said yesterday. It said it had received the go-ahead from the UK's Securities and Investment Board and will launch the contracts on its London Securities and Derivatives Exchange, providing a direct challenge to the first pulp futures and options bourse, launched in Helsinki early this year.

Woodside and Shell mull joint gas project

By Nikki Tait in Sydney

Woodside Petroleum, the Australian oil and gas company, and Shell Australia, part of the international oil group, are considering building a facility for extracting liquefied natural gas, costing up to A\$10bn (US\$7.3bn).

The two companies said they were going ahead with a feasibility study for a plant near Darwin, on Australia's north coast. The initial phase of the study would probably take about 18 months, and cost several million dollars.

In a joint statement, they said they already had "significant" gas discoveries in the Sunrise, Troubadour, Lorton Shoals and Evans Shoal gas fields, and that these were expected to contain at least 5,000bn cubic feet of recoverable gas.

"Both companies are committed to substantial exploration and appraisal pro-

grammes... with the objective for adding to state reserves," they added. They also plan to talk to other parties with offshore gas reserves in the region.

The plan envisages two LNG processing trains and five LNG ships. Combined capacity of the trains would be around 7.5m tonnes a year with output going to both overseas and domestic markets. The cost of the project would be spread over 20 years, with first deliveries targeted for 2005.

Woodside said a final decision on the project would probably be taken by 2001. It said the feasibility study would look at a number of potential sites around Darwin.

Woodside is the operator and one-sixth partner in the North-West Shelf gas project, which began to export LNG under 20-year contracts to Japanese customers in 1989. An A\$6.5bn expansion is already under consider-

ation. Shell is also a partner and has a 34.3 per cent stake in Woodside.

Australia's federal government welcomed the project, saying it could create some 2,000 construction jobs and 200 permanent jobs. The companies are not expecting government funding.

Boral, the Australian building materials and energy group, said it was reviewing the structure of its natural gas distribution interests. It said this was being done in the light of reforms to the gas market "which will require the segregation of the existing business into distinct gas transportation and gas retailing businesses".

It said the objectives of the review were "to establish a ring-fenced entity owning the natural gas distribution assets which could further invest in energy infrastructure assets as deregulation of the sector proceeds".

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Cash	1 mth
Close	1635.5-6.5	1650.5-1.5
Previous	1618.5-20.5	1639.40
High/Low	1659/1648	1659/1648
AM Official	1654.5	1657.5-6.5
Kerb close	1653.4	
Open int.	267,401	
Total day turnover	68,298	

■ ALUMINIUM ALLOY (\$ per tonne)

	Close	Previous	High/Low
Close	1480-85	1500-05	
Previous	1473-75	1498-50	
High/Low	1510/1500	1510/1500	
AM Official	1495-500	1510-15	
Kerb close	1500-05		
Open int.	5,108		
Total day turnover	1,144		

■ LEAD (\$ per tonne)

	Close	Previous	High/Low
Close	625-30	640-1	
Previous	610.5-1.5	624-3	
High/Low	624-3	634-5	
AM Official	624-3	634-5	
Kerb close	624-3	634-5	
Open int.	36,153		
Total day turnover	6,490		

■ NICKEL (\$ per tonne)

	Close	Previous	High/Low
Close	7495-75	7590-85	
Previous	7575-85	7695-85	
High/Low	7600	7750/7550	
AM Official	7600-10	7710-15	
Kerb close	7600-10	7710-15	
Open int.	49,240		
Total day turnover	12,885		

■ ZINC, special High grade (\$ per tonne)

	Close	Previous	High/Low
Close	5725-35	5770-80	
Previous	5710-20	5780-70	
High/Low	5800/5750	5800/5750	
AM Official	5780-85	5800-85	
Kerb close	5780-85	5800-85	
Open int.	15,248		
Total day turnover	2,448		

■ TIN (\$ per tonne)

	Close	Previous	High/Low
Close	5725-35	5770-80	
Previous	5710-20	5780-70	
High/Low	5800/5750	5800/5750	
AM Official	5780-85	5800-85	
Kerb close	5780-85	5800-85	
Open int.	15,248		
Total day turnover	2,448		

■ COPPER, grade A (\$ per tonne)

	Close	Previous	High/Low
Close	2595.5-5.5	2597-5	
Previous	2595-25	2605-80	
High/Low	2595/2591	2615/2588	
AM Official	2591-2	2612-3	
Kerb close	2591-2	2612-3	
Open int.	155,941		
Total day turnover	38,338		

■ LME ALUMINIUM 99.7% metal, 1,840t

LME Closing 275 metal, 1,840t

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Precious Metals continued

■ GOLD COMEX (100 Troy oz; \$/troy oz)

	Sett	Day's	High	Low	Open
May	342.1	+0.3	344.0	342.2	18,980
Jun	343.7	+0.3	344.0	342.2	18,980
Jul	346.3	+0.3	346.3	344.8	3,201
Aug	346.1	+0.3	346.3	346.5	82
Sep	351.9	+1.5	352.2	350.5	704
Oct	351.8	+0.2	351.8	350.5	2,298
Nov	351.8	+0.2	351.8	350.5	2,298
Dec	351.8	+0.2	351.8	350.5	2,298
Total	24,071				198,486

■ PLATINUM NYMEX (50 Troy oz; \$/troy oz)

	Sett	Day's	High	Low	Open
Jul	352.1	-3.9	357.8	350.0	5,595
Aug	352.1	-3.9	357.8	350.0	398
Sep	352.1	-3.9	357.8	350.0	85
Oct	352.1	-3.9	357.8	350.0	16
Nov	352.1	-3.9	357.8	350.0	16
Dec	352.1	-3.9	357.8	350.0	16
Total	6,063				26,039

■ PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

	Sett	Day's	High	Low	Open
May	182.80	-1.85	184.50	181.00	1,108
Jun	182.80	-1.85	184.50	181.00	1,108
Jul	182.80	-1.85	184.50	181.00	1,108
Aug	182.80	-1.85	184.50	181.00	1,108
Sep	182.80	-1.85	184.50	181.00	1,108
Oct	182.80	-1.85	184.50	181.00	1,108
Nov	182.80	-1.85	184.50	181.00	1,108
Dec	182.80	-1.85	184.50	181.00	1,108
Total	17,722				13,390

■ SILVER COMEX (5,000 Troy oz; \$/troy oz)

May	180.50	-1.85	181.50	177.50	1,108	5,000
Jun	180.10	-1.85	181.50	177.50	648	4,800
Sep	177.60	-1.40	178.50	175.50	15	390
Dec	177.60	-1.40	177.50	177.50	1,772	10,180
Total						

FT MANAGED FUNDS SERVICE

LUXEMBOURG

مركز من العمل

Offshore Insurances and Other Funds

Soiling	Soiling + H	Yield	Soiling	Soiling + H	Yield	Soiling	Soiling + H	Yield
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KNOWING YOUR INVESTORS IS
Strong relationships. There's no better way to establish needs and solve
ONE THING. KNOWING COUNTLESS
complex issues. That's why we offer an extensive range of products and services
DERIVATIVES IN 20 LANGUAGES IN
integrated with customized technology solutions. Because, while no one knows
125 STOCK MARKETS IS ANOTHER.
your investors like you do, no one knows better. International Investors like we do.



Send us Institutional Investor Worldwide at

INVESTMENT TRUSTS - Cont.[illegible]

Murray	16	21
Murray Europe	70	70

[illegible]

Product Type

250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703
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Smaller Cos.	135	---	---	---
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1	1000	11.57	21
2	1000	11.61	22
3	1000	11.65	23
4	1000	11.69	24
5	1000	11.73	25
6	1000	11.77	26
7	1000	11.81	27
8	1000	11.85	28
9	1000	11.89	29
10	1000	11.93	30
11	1000	11.97	31
12	1000	12.01	32
13	1000	12.05	33
14	1000	12.09	34
15	1000	12.13	35
16	1000	12.17	36
17	1000	12.21	37
18	1000	12.25	38
19	1000	12.29	39
20	1000	12.33	40
21	1000	12.37	41
22	1000	12.41	42
23	1000	12.45	43
24	1000	12.49	44
25	1000	12.53	45
26	1000	12.57	46
27	1000	12.61	47
28	1000	12.65	48
29	1000	12.69	49
30	1000	12.73	50
31	1000	12.77	51
32	1000	12.81	52
33	1000	12.85	53
34	1000	12.89	54
35	1000	12.93	55
36	1000	12.97	56
37	1000	13.01	57
38	1000	13.05	58
39	1000	13.09	59
40	1000	13.13	60
41	1000	13.17	61
42	1000	13.21	62
43	1000	13.25	63
44	1000	13.29	64
45	1000	13.33	65
46	1000	13.37	66
47	1000	13.41	67
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50	1000	13.53	70
51	1000	13.57	71
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59	1000	13.89	79
60	1000	13.93	80
61	1000	13.97	81
62	1000	14.01	82
63	1000	14.05	83
64	1000	14.09	84
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66	1000	14.17	86
67	1000	14.21	87
68	1000	14.25	88
69	1000	14.29	89
70	1000	14.33	90
71	1000	14.37	91
72	1000	14.41	92
73	1000	14.45	93
74	1000	14.49	94
75	1000	14.53	95
76	1000	14.57	96
77	1000	14.61	97
78	1000	14.65	98
79	1000	14.69	99
80	1000	14.73	100

INV TRUSTS SPLIT CAP

[illegible]

Zoro Univ Prod	481	+1	481	3
Univ	100	+21	100	3
For & Col Surv Soc Inc	95	+2	97	6

[illegible]

26 Equity Capital

1. General Electric	112	73.8	118
2. IBM	112	107.7	155
3. AT&T	31	31	31
4. RCA	112	112	112
5. Westinghouse	27.5	27.5	27.5
6. GE	112	112	112
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91. GE	112	112	112
92. GE	112	112	112

Paging Service 1997

Life Ins _____
 Death Ind _____
 Community Hspil _____
 Fire Ins _____

San Francisco	37.77	-122.42	16	492,000	46.7	7.0	EST	415	15	12
Portland	45.52	-122.68	16	65,000	16.0	7.0	PST	503	15	12
San Francisco	37.77	-122.42	16	492,000	46.7	7.0	EST	415	15	12
Portland	45.52	-122.68	16	65,000	16.0	7.0	PST	503	15	12
San Francisco	37.77	-122.42	16	492,000	46.7	7.0	EST	415	15	12
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Portland	45.52	-122.68	16	65,000	16.0	7.0	PST	503	15	12
San Francisco	37.77	-122.42	16	492,000	46.7	7.0	EST	415	15	12
Portland	45.52	-122.68	16	65,000	16.0	7.0	PST	503	15	12
San Francisco	37.77	-122.42	16	492,000	46.7	7.0	EST	415	15	12
Portland	45.52	-122.68	16	65,000	16.0	7.0	PST	503	15	12
San Francisco	37.77	-122.42	16	492,000	46.7	7.0	EST	415	15	12
Portland	45.52	-122.68	16	65,000	16.0	7.0	PST	503	15	12
San Francisco	37.77	-122.42	16	492,000	46.7	7.0	EST	415	15	12
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San Francisco	37.77	-122.42	16	492,000	46.7	7.0	EST	415	15	12
Portland	45.52	-122.68	16	65,000	16.0	7.0	PST	503	15	12
San Francisco	37.77	-122.42								

HOUSEHOLD GOODS

Name		Place	Score	52 week
Albuquerque	1	1	1	1
Albuquerque	2	2	2	2
Albuquerque	3	3	3	3
Albuquerque	4	4	4	4
Albuquerque	5	5	5	5
Albuquerque	6	6	6	6
Albuquerque	7	7	7	7
Albuquerque	8	8	8	8
Albuquerque	9	9	9	9
Albuquerque	10	10	10	10
Albuquerque	11	11	11	11
Albuquerque	12	12	12	12
Albuquerque	13	13	13	13
Albuquerque	14	14	14	14
Albuquerque	15	15	15	15
Albuquerque	16	16	16	16
Albuquerque	17	17	17	17
Albuquerque	18	18	18	18
Albuquerque	19	19	19	19
Albuquerque	20	20	20	20
Albuquerque	21	21	21	21
Albuquerque	22	22	22	22
Albuquerque	23	23	23	23
Albuquerque	24	24	24	24
Albuquerque	25	25	25	25
Albuquerque	26	26	26	26
Albuquerque	27	27	27	27
Albuquerque	28	28	28	28
Albuquerque	29	29	29	29
Albuquerque	30	30	30	30
Albuquerque	31	31	31	31
Albuquerque	32	32	32	32
Albuquerque	33	33	33	33
Albuquerque	34	34	34	34
Albuquerque	35	35	35	35
Albuquerque	36	36	36	36
Albuquerque	37	37	37	37
Albuquerque	38	38	38	38
Albuquerque	39	39	39	39
Albuquerque	40	40	40	40
Albuquerque	41	41	41	41
Albuquerque	42	42	42	42
Albuquerque	43	43	43	43
Albuquerque	44	44	44	44
Albuquerque	45	45	45	45
Albuquerque	46	46	46	46
Albuquerque	47	47	47	47
Albuquerque	48	48	48	48
Albuquerque	49	49	49	49
Albuquerque	50	50	50	50
Albuquerque	51	51	51	51
Albuquerque	52	52	52	52
Albuquerque	53	53	53	53
Albuquerque	54	54	54	54
Albuquerque	55	55	55	55
Albuquerque	56	56	56	56
Albuquerque	57	57	57	57
Albuquerque	58	58	58	58
Albuquerque	59	59	59	59
Albuquerque	60	60	60	60
Albuquerque	61	61	61	61
Albuquerque	62	62	62	62
Albuquerque	63	63	63	63
Albuquerque	64	64	64	64
Albuquerque	65	65	65	65
Albuquerque	66	66	66	66
Albuquerque	67	67	67	67
Albuquerque	68	68	68	68
Albuquerque	69	69	69	69
Albuquerque	70	70	70	70
Albuquerque	71	71	71	71
Albuquerque	72	72	72	72
Albuquerque	73	73	73	73
Albuquerque	74	74	74	74
Albuquerque	75	75	75	75
Albuquerque	76	76	76	76
Albuquerque	77	77	77	77
Albuquerque	78	78	78	78
Albuquerque	79	79	79	79
Albuquerque	80	80	80	80
Albuquerque	81	81	81	81
Albuquerque	82	82	82	82
Albuquerque	83	83	83	83
Albuquerque	84	84	84	84
Albuquerque	85	85	85	85
Albuquerque	86	86	86	86
Albuquerque	87	87	87	87

PHYSICAL ASSESSMENT

[illegible]

Notes	Prior	+ or -	52 week
			High Low

RANKED BY THE NATIONAL TRADING		RANKED BY THE NATIONAL TRADING	
1974	1975	1974	1975
1	1	1	1
2	2	2	2
3	3	3	3
4	4	4	4
5	5	5	5
6	6	6	6
7	7	7	7
8	8	8	8
9	9	9	9
10	10	10	10
11	11	11	11
12	12	12	12
13	13	13	13
14	14	14	14
15	15	15	15
16	16	16	16
17	17	17	17
18	18	18	18
19	19	19	19
20	20	20	20
21	21	21	21
22	22	22	22
23	23	23	23
24	24	24	24
25	25	25	25
26	26	26	26
27	27	27	27
28	28	28	28
29	29	29	29
30	30	30	30
31	31	31	31
32	32	32	32
33	33	33	33
34	34	34	34
35	35	35	35
36	36	36	36
37	37	37	37
38	38	38	38
39	39	39	39
40	40	40	40
41	41	41	41
42	42	42	42
43	43	43	43
44	44	44	44
45	45	45	45
46	46	46	46
47	47	47	47
48	48	48	48
49	49	49	49
50	50	50	50
51	51	51	51
52	52	52	52
53	53	53	53
54	54	54	54
55	55	55	55
56	56	56	56
57	57	57	57
58	58	58	58
59	59	59	59
60	60	60	60
61	61	61	61
62	62	62	62
63	63	63	63
64	64	64	64
65	65	65	65
66	66	66	66
67	67	67	67
68	68	68	68
69	69	69	69
70	70	70	70
71	71	71	71
72	72	72	72
73	73	73	73
74	74	74	74
75	75	75	75
76	76	76	76
77	77	77	77
78	78	78	78
79	79	79	79
80	80	80	80
81	81	81	81
82	82	82	82
83	83	83	83
84	84	84	84
85	85	85	85
86	86	86	86
87	87	87	87
88	88	88	88
89	89	89	89
90	90	90	90
91	91	91	91
92	92	92	92
93	93	93	93
94	94	94	94
95	95	95	95
96	96	96	96
97	97	97	97
98	98	98	98
99	99	99	99
100	100	100	100

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EASDAQ									
EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.									
Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume
AcadCard	US\$31.25	+0.25	25000	8.23	7.7	Esprit Motion ADS	US\$4.90	+0.35	9
Advent Systems	US\$19.075	+0.125	25000	11	9.5	Investec	US\$11.25	+0.075	12
Chemtronics	FRF10			18	18	Microware International	US\$11.125		11
De Smetson's ADS	US\$21.875	-0.625	13000	25.5	15.875	Palltron	US\$4.5		8

Dow slides lower as bonds weaken

Bourses chalk up nine more highs

AMERICAS

Wall Street trading was mixed at midsession as blue chips suffered from interest rate fears while technology shares staged a strong rally, writes Jane Morrison in New York.

The Dow Jones Industrial Average was down 55.63 to 7,247.83 in spite of an earlier rally which saw it rise 45 points at one stage. The leading indicator had reacted positively to Tuesday's decision by the Federal Reserve's Open Market Committee not to raise interest rates.

The decline in equities late yesterday morning echoed that of the benchmark 30-year bond, which was down 1/8 to 95 1/8 after positive trade deficit figures and a weakening dollar.

Stocks with the greatest sensitivity to interest rate movements suffered the greatest decline. JP Morgan fell 2 to \$103 1/4.

In contrast, technology stocks benefited from several upbeat company results in a rally which saw most of

the weakness of the past three months wiped out. The technology-driven Nasdaq composite rose 10.46 to 1,374.26, close to a previous high recorded in January. The Russell 2000, the index of smaller company shares which has also underperformed the larger company indices in recent months, rose 1.26 to 389.46 while the S & P 500 lost 4.31 to 337.35.

Dell Computer powered a large part of the Nasdaq improvement. Its shares rose 7 1/2 to 8 per cent to \$107 1/4 after first-quarter earnings well above market expectations.

The demand for technology stocks continued to keep IBM out of the blue chip net. It rose 1 1/2 to \$175 1/4, close to its all-time high.

However, the sector's gloss failed to run off on Amazon.com, the Internet retailer which came to market last week. It fell 3 1/4 to 11 per cent to \$17 1/4.

Tyco fell 1 1/4 to \$61 1/4 after announcing the \$1.2bn acquisition of Keystone International. Keystone rose 10 1/2 to 52 per cent to \$31 1/4.

TORONTO followed Wall Street higher in early trading and at noon the 300 composite index was sitting on a gain of 30.76 to 6,290.90.

Banks had a good morning with Royal Bank of Canada adding 45 cents to C\$59.85 and Bank of Montreal putting on 40 cents to C\$53.80. News of a new product lifted Northern Telecom C\$1.80 to C\$110.40. Seagram stood out against the upturn among leaders, dipping 55 cents to C\$52.85.

MEXICO CITY pushed deeper into new ground, helped by strong gains at Televisa which put on 4.30 pesos to 105 pesos after announcing a cost cutting plan just ahead of the opening bell. At midsession, the IPC index was 26.94 ahead at 3,979.56.

SAO PAULO also improved in spite of a steep setback for Petrobras, the state oil giant. At midsession, the Bovespa index was up 90 to 10,731.

Petrobras fell \$4.00 to \$24.99 on news of an auction of 500m preferred shares, scheduled for tomorrow.

EUROPE

Tuesday's exuberance on Wall Street, after the Federal Reserve held key interest rates, was reflected in nine more all-time highs on continental bourses. But the narrowing of the US trade gap, and resultant bond market weakness both in the US and Europe, had some dealers shaking their heads at the end of the day.

FRANKFURT gave defensive stocks a better time than their cyclical counterparts, although the dollar held up reasonably well. Car-makers, where Daimler fell 10 pfg to DM131.70, were outperformed by financials and most utilities as the Dax index bounced 84.20 to 2.4 per cent to an all-time high of 3,600.40.

Turnover was livelier, climbing from OMI1.2bn to OMI1.8bn. Among financials, Allianz and Deutsche Bank, often treated as proxies for the broad equity market, outpaced the Dax in spite of late weakness in bonds with gains of DM13.50 or 3.9 per cent to DM362 and DM338 respectively. Commerzbank also stood out with a rise of DM1.77 or 3.7 per cent to DM50.02.

In utilities, also interest rate sensitive, RWE rose DM3.10 or 4.3 per cent to DM75.50, Viag to DM35.50 to DM70 and Deutsche Telekom by 87 pfg to OM39.56.

The odd man out here was Veba, up just 98 pfg or 1 per cent to OM99.50.

Veba's acquisition of a 36.4 per cent stake in Degussa, the chemicals, metals and pharmaceuticals group, was welcomed by analysts. But traders said the price was high; and it was Degussa which took off, rising DM6.80 or 8.9 per cent to OM83.10.

PARIS spiked to a record high on the CAC 40, closing up 35.24 to 2,766.35 in busy volume with 16.1m shares changing hands.

Total gained PFr9 to PFr562 after SBC Warburg upgraded its 1997 earnings targets by 14 per cent. Analysts came away from a breakfast meeting with BNP in upbeat mood and the banking group's shares jumped PFr6.20 to PFr268.90.

BIC, a weak market lately, rebounded PFr30 to PFr910. Havas, which has picked up the European advertising account for Haagen-Dazs ice cream, put on PFr5.10 to PFr438.

ZURICH went for financials initially, and the effect held through to the close where the SMI index came in 97.8 or 1.9 per cent higher at a new peak of 5,178.6.

UBS analysts upgraded their 1997 and 1998 earnings estimates for Swiss Re, forecasting that earnings per share should rise 17 per cent to SFr117 this year, and climb to SFr136 in 1998. They retained their "buy" rating.

FTSE Actuaries Share Indices

May 21	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Actuaries 100	2353.41	2357.73	2358.74	2361.25	2363.47	2363.76	2364.48	2364.38
FTSE Actuaries 200	2376.72	2381.05	2381.23	2380.59	2384.55	2384.84	2385.46	2385.14

May 21	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Actuaries 100	2353.41	2357.73	2358.74	2361.25	2363.47	2363.76	2364.48	2364.38
FTSE Actuaries 200	2376.72	2381.05	2381.23	2380.59	2384.55	2384.84	2385.46	2385.14

and the shares rose SFr72 or nearly 4 per cent to SFr1,906. UBS saw its bearers up SFr47 to SFr1,532 and CS Group leapt SFr6.25 to SFr179.76. Zurich Insurance was the odd man out, rising just SFr1 to SFr485.50 although it forecast double digit profits growth this year.

AMSTERDAM rode to a new high on the back of heavy trading in ING after the banking and insurance giant revealed sharply higher restated earnings. The AEX index ended 16.49 better at 808.93.

ING surged F14.70 or 5.9 per cent to F184.80 in 6m shares traded following the disclosure in a US listing prospectus that 1996 earnings were F1.35bn higher under US accounting. News of a big Italian order helped lift Hoogovens F13.90 or 4.4 per cent to F193. KLM rose F1.60 to F159.50 following a full year results statement plus management changes.

Nedlloyd provided the one upset of the session, sliding 60 cents to F148.20 on profit-taking in spite of an upbeat first-quarter results statement.

MADRID hit new highs both in the general index, which rose 12.54 or 2.3 per cent to 580.10, and in turnover which leapt 50 per cent from just under Pta120bn to Pta150bn.

There were outstanding performances in banks, where Bankinter jumped Pta1,400 or 5.9 per cent to Pta25,200; in construction, where Dragados put on Pta200 or 7.35 per cent to Pta2,920; in utilities, with Iberdrola Pta90 or 5.3 per cent higher at Pta1,705; and in telecommunications, with Telefonica up Pta176 or 4.3 per cent to Pta4,220.

However, dealers said that sheer buying pressure had pushed trade into the bigger stocks.

The Nordic bloc boasted three new peaks: ● STOCKHOLM's general index moved up 33.94 to 2,835.85, Ericsson getting the New York lift with a rise of SKr7 to SKr273.50 and Astra, with another three US

patents for its anti-ulcer drug, Losec, ending SKr7.50 to the good at SKr273.50.

● OSLO saw the total index rise 18.39 to 1,140.67.

● HELSINKI left Nokia, a US favourite, up FM12.90 at FM345; Rauma, the engineer, FM5.90 higher at FM120.90 on a share buyback plan; and Raisio up FM15 at FM415 after saying it would create a separate business unit for its Banacol, cholesterol-reducing margarine. Here, the Hex index rose 62.57 or 2.1 per cent to 3,097.71.

MILAN added 92 to 12,527 on the Mibtel index with sentiment said to be given a clear boost by the May inflation figures which located hopes for an early reduction for interest rates.

Stet improved 1.23 to 1,870 on hopes for television and telecommunications reform. Tim gained 1.88 to 1,529.5. London buying was said to have driven Oshv up 1.26 to 1,518 as the group confirmed its latest disposal.

VIENNA made its own, new high ground with the ATX index closing 19.76 or 1.55 per cent better at 1,290.11; it was driven by OMV, up another Sch9.80 to Sch1,574.80 as investors bet the oil and chemicals group would figure in the new FT-SE Eurotop 300 index.

Written and edited by William Cochrane and Jeffrey Brown

S Africa rallies in modest trade

Johannesburg rallied on the back of a rebound for industrials and the all-share index closed 21.0 higher at 7,127.2 after a session of modest trading volume. Industrials put on 24.2 to

8,398.2, helped by a number of special features. Liberty Life rose R1.25 to R131 after an upbeat presentation on Tuesday evening. Amplats rose R1.30 to R31 amid talk that long awaited restructuring

was imminent. Sasol gained R1.25 to R55.25.

Golds ended on a dull note, giving up early steady gains. The golds index showed little change at the close, adding 0.4 to 1,213.7.

ASIA PACIFIC

Concerns about the yen-dollar exchange rate and renewed speculation about an interest rate increase drove TOKYO down, and the Nikkei 225 average dropped below the 20,000 level, writes Owen Robinson.

The 225 index slid 490.86 or 2.4 per cent to 19,841.56 after moving between 19,763.88 and 20,322.43. The dollar rebounded to the ¥114 level following the previous day's plunge to ¥111, but investors were not reassured and continued to sell blue-chip exporters on concerns about the impact of foreign exchange turbulence on earnings.

Speculation about a possible increase in rates, though ruled out by many economists, was fuelled by reports that a Bank of Japan official told Japanese trade union leaders that the central bank was pondering the right timing to raise the official discount rate, currently at a historic low of 0.5 per cent.

Volume eased from 437m shares to 436m. Declines led advances by 586 to 245 with 121 unchanged. The Tokyo index of all first-section stocks fell 27.57 to 1,476.99 and the capital-weighted Nikkei 300 was down 5.93 at 285.13.

Among leading issues, Canon slid ¥150 to ¥2,700. Sony ¥180 to ¥9,550 and TDK ¥310 to ¥8,590. Fuji Photo Film fell ¥170 to ¥4,310 and Bridgestone was down ¥170 to ¥2,580.

Carmakers retreated. Toyota was down ¥100 to ¥4,480 and Honda ¥150 to ¥3,480 in spite of strong earnings announcements from both this week.

Financials continued their downward slide on the spreading scandal around Nomura Securities involving corporate racketeers.

Dai-ichi Kangyo Bank fell a further ¥70 to ¥1,330 following prosecutors' raids on its Tokyo headquarters; Nomura fell ¥20 to ¥1,390 and Nikko, meanwhile, fell ¥27 to ¥991 following reports that its affiliate, Nikko Securities Investment Trust and Management, had engaged in illegal bond trading.

In contrast, some domestic-oriented issues, including retailers, fared well. Daiei was up ¥18 to ¥790 on foreign buying. Tokyo Gas added ¥11 to ¥319; and the trading house Nissho Iwai rose ¥15 to ¥480 on strong earnings.

In Osaka, the OSE average fell 303.97 to 20,756.39 and volume eased to 17.8m shares. In London, the ISE/Nikkei 50 index fell 2.36 to 1,534.98.

BANGKOK continued to rally, extending its gain to almost 7 per cent over three sessions, with the SET index up 19.09 at 566.19 in turnover of Btg5.3bn.

Buying was underpinned by reports that the newly formed government support fund had entered the market. Investors were also said to have focused on the recent positive news about Thai exports, which rose 4.8 per cent in March.

All key sectors made progress, with banks heading the performance charts with a sector gain of 5.2 per cent.

MANILA liked the US interest rate decision and the composite index broke a four-day losing streak to close 39.59 or 1.6 per cent higher at 2,538.97. However, part of the rebound was attributed to agricultural data showing real first quarter growth of 4.2 per cent, compared with 2.5 per cent a year ago.

SYDNEY's banking and finance houses moved on the FOMC decision with a sector index gain of 1.9 per cent. National Australia Bank

took the lead with a rise of 38 cents at A\$18.18, as the All Ordinaries index gained 12.5 to a record high of 2,543.2.

Fears about the profit effects of a squeeze on Australian lending margins had pushed the banks index down by almost 5 per cent in the previous week. In industrials, the cigarette maker Rothmans jumped 70 cents or 8.4 per cent to A\$9 on doubled profits and a A\$1 a share special dividend.

● Singapore, Kuala Lumpur, Colombo and Dhaka were closed for a Buddhist holiday.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms			Local currency terms		
		May 19 1997	% Change over week	% Change on Dec '96	May 15 1997	% Change over week	% Change on Dec '96
Latin America	(248)	657.54	+0.3	+22.2			
Argentina	(30)	1,084.35	+1.3	+14.1	664,996.44	+1.3	+14.0
Brazil	(89)	529.08	-0.2	+33.7	2,115.21	-0.1	+37.3
Chile	(46)	733.25	-0.6	+18.2	1,229.97	-0.5	+18.5
Colombia ¹	(14)	833.74	-0.1	+31.7	1,583.13	-0.6	+40.3
Mexico	(54)	608.43	+1.0	+14.9	2,069.65	+0.8	+15.2
Peru	(17)	242.09	+0.9	+23.0	383.72	+0.7	+26.0
Venezuela ²	(9)	758.41	+1.4	+4.2	8,442.17	+1.8	+5.9
Asia	(709)	230.54	-3.6	-8.8			
China ³	(27)	78.52	-10.5	+6.5	+82.18	-10.5	+6.4
South Korea ⁴	(159)	75.44	+3.8	-2.3	88.40	+3.5	+3.0
Philippines	(42)	228.83	-3.7	-2.2	291.11	-3.7	-22.0
Taiwan, China ⁵	(30)	170.72	-0.4	+11.4	177.75	-0.2	+12.3
India ⁶	(77)	94.30	-0.2	+19.7	118.93	-0.3	+18.7
Indonesia ⁷	(49)	120.92	-3.9	-5.2	160.04	-3.6	-2.3
Malaysia	(148)	286.42	-5.4	-14.9	262.58	-6.3	-18.3
Pakistan ⁸	(28)	234.93	+0.2	+20.0	431.42	+0.2	+20.7
Sri Lanka ⁹	(5)	110.50	+1.1	+16.3	141.28	-0.2	+20.1
Thailand	(67)	144.88	-5.4	-34.6	148.84	-0.8	-34.0
Euro/Mid East	(26)	158.94	+0.3	+18.4			
Czech Rep	(7)	60.78	+2.8	-13.4	61.70	+3.0	-2.8
Egypt	(16)	99.06	-1.9	-	98.92	-1.9	-
Greece	(54)	383.61	+5.0	+58.3	701.68	+5.0	+73.3
Hungary ¹⁰	(12)	253.75	-2.0	+28.0	551.78	-1.7	+44.2
Jordan	(7)	192.33	+1.3	+3.0	287.02	+1.3	+2.9
Morocco	(5)	129.81	-0.8	-	133.10	-0.8	-
Poland ¹¹	(30)	721.95	-0.1	-1.4	1,429.79	-0.1	+8.6
Portugal	(28)	177.80	-0.3	+21.7	208.45	-0.2	+33.7
Russia	(15)	130.31	+6.9	-	133.52	+7.0	-
Slovakia	(5)	108.83	+0.2	-	112.47	+0.5	-
South Africa ¹²	(53)	234.79	-1.1	+12.5	216.92	-0.7	+7.7
Turkey ¹³	(58)	187.99	+3.3	+33.1	12,875.03	+4.8	+68.9
Zimbabwe ¹⁴	(5)	553.03	-0.0	+18.9	937.17	-0.1	+24.2
Composite	(1221)	315.52	-1.3	+7.0			

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date Dec 1989=100 except where noted. Source: IFC, 1997; 1996: 1997; 1995: 1996; 1994: 1995; 1993: 1994; 1992: 1993; 1991: 1992; 1990: 1991; 1989: 1990; 1988: 1989; 1987: 1988; 1986: 1987; 1985: 1986; 1984: 1985; 1983: 1984; 1982: 1983; 1981: 1982; 1980: 1981; 1979: 1980; 1978: 1979; 1977: 1978; 1976: 1977; 1975: 1976; 1974: 1975; 1973: 1974; 1972: 1973; 1971: 1972; 1970: 1971; 1969: 1970; 1968: 1969; 1967: 1968; 1966: 1967; 1965: 1966; 1964: 1965; 1963: 1964; 1962: 1963; 1961: 1962; 1960: 1961; 1959: 1960; 1958: 1959; 1957: 1958; 1956: 1957; 1955: 1956; 1954: 1955; 1953: 1954; 1952: 1953; 1951: 1952; 1950: 1951; 1949: 1950; 1948: 1949; 1947: 1948; 1946: 1947; 1945: 1946; 1944: 1945; 1943: 1944; 1942: 1943; 1941: 1942; 1940: 1941; 1939: 1940; 1938: 1939; 1937: 1938; 1936: 1937; 1935: 1936; 1934: 1935; 1933: 1934; 1932: 1933; 1931: 1932; 1930: 1931; 1929: 1930; 1928: 1929; 1927: 1928; 1926: 1927; 1925: 1926; 1924: 1925; 1923: 1924; 1922: 1923; 1921: 1922; 1920: 1921; 1919: 1920; 1918: 1919; 1917: 1918; 1916: 1917; 1915: 1916; 1914: 1915; 1913: 1914; 1912: 1913; 1911: 1912; 1910: 1911; 1909: 1910; 1908: 1909; 1907: 1908; 1906: 1907; 1905: 1906; 1904: 1905; 1903: 1904; 1902: 1903; 1901: 1902; 1900: 1901; 1899: 1900; 1898: 1899; 1897: 1898; 1896: 1897; 1895: 1896; 1894: 1895; 1893: 1894; 1892: 1893; 1891: 1892; 1890: 1891; 1889: 1890; 1888: 1889; 1887: 1888; 1886: 1887; 1885: 1886; 1884: 1885; 1883: 1884; 1882: 1883; 1881: 1882; 1880: 1881; 1879: 1880; 1878: 1879; 1877: 1878; 1876: 1877; 1875: 1876; 1874: 1875; 1873: 1874; 1872: 1873; 1871: 1872; 1870: 1871; 1869: 1870; 1868: 1869; 1867: 1868; 1866: 1867; 1865: 1866; 1864: 1865; 1863: 1864; 1862: 1863; 1861: 1862; 1860: 1861; 1859: 1860; 1858: 1859; 1857: 1858; 1856: 1857; 1855: 1856; 1854: 1855; 1853: 1854; 1852: 1853; 1851: 1852; 1850: 1851; 1849: 1850; 1848: 1849; 1847: 1848; 1846: 1847; 1845: 1846; 1844: 1845; 1843: 1844; 1842: 1843; 1841: 1842; 1840: 1841; 1839: 1840; 1838: 1839; 1837: 1838; 1836: 1837; 1835: 1836; 1834: 1835; 1833: 1834; 1832: 1833; 1831: 1832; 1830: 1831; 1829: 1830; 1828: 1829; 1827: 1828; 1826: 1827; 1825: 1826; 1824: 1825; 1823: 1824; 1822: 1823; 1821: 1822; 1820: 1821; 1819: 1820; 1818: 1819; 1817: 1818; 1816: 1817; 1815: 1816; 1814: 1815; 1813: 1814; 1812: 1813; 1811: 1812; 1810: 1811; 1809: 1810; 1808: 1809; 1807: 1808; 1806: 1807; 1805: 1806; 1804: 1805; 1803: 1804; 1802: 1803; 1801: 1802; 1800: 1801; 1799: 1800; 1798: 1799; 1797: 1798; 1796: 1797; 1795: 1796; 1794: 1795; 1793: 1794; 1792: 1793; 1791: 1792; 1790: 1791; 1789: 1790; 1788: 1789; 1787: 1788; 1786: 1787; 1785: 1786; 1784: 1785; 1783: 1784; 1782: 1783; 1781: 1782; 1780: 1781; 1779: 1780; 1778: 1779; 1777: 1778; 1776: 1777; 1775: 1776; 1774: 1775; 1773: 1774; 1772: 1773; 1771: 1772; 1770: 1771; 1769: 1770; 1768: 1769; 1767: 1768; 1766: 1767; 1765: 1766; 1764: 1765; 1763: 1764; 1762: 1763; 1761: 1762; 1760: 1761; 1759: 1760; 1758: 1759; 1757: 1758; 1756: 1757; 1755: 1756; 1754: 1755; 1753: 1754; 1752: 1753; 1751: 1752; 1750: 1751; 1749: 1750; 1748: 1749; 1747: 1748; 1746: 1747; 1745: 1746; 1744: 1745; 1743: 1744; 1742: 1743; 1741: 1742; 1740: 1741; 1739: 1740; 1738: